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THE MAIN CURRENTS OF SOCIAL AND INDUSTRIAL CHANGE, 1870—1924

BY

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TO
L. W.
AND
G. V. W.



AUTHOR'S PREFACE

THE purpose of this book is to outline the growth of Society, Industry, and State during a well-defined phase of development. Passing briefly over the circumstances of the birth and infancy of new ideas and ideals, it narrates more fully their struggle through an unkindly environment into adolescence, and their rapid maturing during the last decade or two.

The half century or so which has elapsed since 1870 is no less compact and organically whole than the century preceding it, the unity and continuity of which have long recommended it for study. It builds up an equally coherent and self-contained paragraph of history, the first sentence of which opens with the words "Education," "Democracy," and "Trade Unionism"; and the last of which concludes with the note of interrogation or the full stop—whichever view be taken—set by the General Election of October, 1924. The most prominent features of the half century are the extension of the power and functions of the State, the broadening of the franchise, the beginnings of democratic control of industry, the wonderful achievements of science and technology, and the organization of the collective resources of the community for purposes for which individual enterprise was considered to have proved inadequate.

Over such a short period of history as half a century, of which at least a part is within the memory and experience of readers, there is little or no danger of loss of historical perspective. The purely chronological method of presenting the facts has therefore been discarded in favour of the description of connected chains of development, begun and completed within the limits of each chapter or section. This method may involve a certain amount of repetition, but the time is not wasted which is given to the study of old facts in new settings.

Whether I have succeeded in avoiding the shifting sands of controversy it will be for the reader to judge; but I have certainly endeavoured to present all the facts and tendencies sanely, judiciously, and impartially. My fairly wide experience of the point of view and of the initial equipment of

the average *unprofessed* student, has taught me what are for such a one the most attractive avenues of approach to a subject of study: for the fields of inquiry which most seductively invite him to wander at his ease are not reached by the tediously straight and narrow paths of "definitions" and remote "origins," however safe and certain and orthodox their leading. Nor are such fields circumscribed by walls which shut out from his view the distant prospects. Usually he has simply found himself, he knows not how, already in the meadows, pursuing some half-hidden, erring footway leading him ever to fresh view-points, or tempting him to turn aside and to linger. For the moment, without ulterior motive and without the pressure of economic or other necessity to urge him to seek knowledge, he has been caught in a humour to be interested. One who would essay to guide him must respect that mood and give it play. Possibly on another occasion, already knowing the general contour, such a one will approach the same delectable fields by the well-worn tracks, and be guided to a full and exact knowledge of them in due process and with due economy of time and effort. But then he is no longer the *unprofessed* student, and he demands different consideration.

The inclusion of a list of suggestions for essays, discussion, and research will, it is hoped, add to the usefulness of the book, whether used by the isolated student or by the members of a study group. During the preparation of the volume constant reference has been made to official government reports, and many general works have been consulted. Those works to which I am especially indebted are duly acknowledged in the footnotes, which will serve as a bibliography to the subject.

I have to acknowledge gratefully the kind permission granted by the Controller of H.M. Stationery Office, to incorporate in the various appendices certain matter extracted from the Statistical Abstracts for the United Kingdom and the Abstracts of Labour Statistics. Further, I am indebted to the editors of *The Economist* and *The Round Table* for permission to use statistics from these journals.

My grateful thanks are due to Mr. W. Picton Gooding, B.Sc., who has read through the proofs and helped me with advice and criticism, and to my wife for the preparation of the Index.

CONTENTS

| CHAP. | PAGE |
|---------------------------------------------|------|
| AUTHOR'S PREFACE | V |
| I. THE CHANGING OUTLOOK | 1 |
| II. THE SITUATION IN 1870 | 38 |
| III. TRANSPORT AND COMMUNICATIONS . . | 51 |
| IV. THE ORGANIZATION OF PRODUCTION . . | 71 |
| V. TRADE POLICY | 94 |
| VI. TRADE CYCLES AND UNEMPLOYMENT . . | 105 |
| VII. INDUSTRIAL CONFLICT AND CONCILIATION . | 131 |
| VIII. INDUSTRIAL WELFARE | 151 |
| IX. THE LABOUR MOVEMENT | 163 |
| X. SOCIAL WELFARE | 187 |
| XI. EDUCATION | 212 |
| XII. THE ART OF GOVERNMENT | 233 |
| XIII. THE WAR YEARS AND AFTER | 271 |

APPENDICES

| | |
|------------------------------------------------------------------------------|-----|
| APP. | |
| I. IMPORTANT ROYAL COMMISSIONS AND SPECIAL REPORTS | 285 |
| II. OCCUPATIONS OF THE PEOPLE | 286 |
| III. GROWTH OF TRADE UNIONISM | 287 |
| IV. STATISTICAL TABLES (1870-1923) | 288 |
| V. CHARTS SHOWING COMMERCIAL, INDUSTRIAL, AND SOCIAL CONDITIONS | 290 |
| VI. SURVEY OF MATERIAL PROGRESS IN GREAT BRITAIN | 293 |
| VII. PUBLIC FINANCE, (1871-1924) | 294 |

| | PAGE |
|--------------------------------------------------------------------------------|------|
| VIII. APP. COMPARISON OF BUDGET OF 1871-72 WITH THAT OF 1924-25 | 296 |
| IX. CHART TO ILLUSTRATE INCIDENCE OF DIRECT AND INDIRECT TAXATION | 298 |
| X. PROFIT-SHARING SCHEMES | 299 |
| XI. TOPICS SUGGESTED FOR ESSAYS, DISCUSSION, AND RESEARCH | 300 |
| INDEX | 305 |

THE MAIN CURRENTS OF SOCIAL AND INDUSTRIAL CHANGE 1870—1924

CHAPTER I

THE CHANGING OUTLOOK

As a rule, the chief influences operating on the mind of any generation are to be found in the writings of a generation earlier. The actions of the grown man are but the reflex of ideas which seized his imagination in the receptive period of his youth. Legislation lags by about an equal interval behind the vanguard of social and political thought. The generation of reformers and statesmen who, in the 'seventies, were busily translating their ideals into Acts of Parliament was that which in its youth had been stirred by the denunciations of Carlyle and Ruskin, had wept or laughed with Charles Dickens at social wrongs or social absurdities, and had yielded itself to the logic of John Stuart Mill's teaching on political economy and government.

The redistribution of the franchise by the Second Reform Bill had placed in the hands of the practical law-maker a newer and more powerful lever by which he could lift the nation to a higher plane of social and political well-being. From 1867 onwards the machinery of democracy was constantly improved and extended to keep pace with

the rapid advance in social theory. The "lag" is now, in consequence, less pronounced than it was half a century ago. Ideas are disseminated more rapidly. Theories are brought more readily to the test of experience. On the one hand, the fear is expressed that too little time is given in our day to weighing the possible consequences of action; on the other hand, there is an impatient disposition that will brook no delay in the redress of manifest wrongs. These are the conservative and the progressive habits of thought which in every community, and in every age, struggle for mastery, and the conflict takes a thousand changing forms as new events and new modes of thinking on them alter the alignment of the contending forces of action and reaction.

The seeds of the new democratic order of society had been planted in the mind of Europe during the cataclysm of the French Revolution. In the political soil they germinated more rapidly than in the industrial. The first fruits of democracy in government were reaped in England in 1832; democracy in industry appeared a generation or two later. In the chilling atmosphere of orthodox social and political economy the seeds lay dormant for half a century. What was needed was a warmer social atmosphere. Now and then ardent spirits such as John Howard and Elizabeth Fry, William Wilberforce, Lord Shaftesbury, and Richard Owen, by urging the claims of our common humanity, did much to keep the heart of the nation warm and to raise the moral temperature of the people.

A Changing Social Atmosphere. About 1867 a milder, more tolerant temper was abroad, and the advent of political democracy was bound to be accompanied by important social changes. The attention of the nation had already been drawn to the woeful condition of the submerged populations of the great cities. Octavia Hill, John Ruskin, George Peabody, and F. D. Maurice were

engaged on various schemes of social betterment, and numerous voluntary organizations came into being to salve the public conscience and to repair the evils which resulted from the grinding of unregulated competition and the cult of cheapness. Living in overcrowded, insanitary, sunless dwellings, illiterate and brutalized by excessively protracted labour, easy victims to disease, possessing no safeguards against a depression of even this low standard, the labouring population cried out for common justice, and the incoherent cry, made articulate by social reformers, called forth a measure of social compunction which expressed itself in the ameliorative legislation of the time. It came to be recognized at last that freedom was not everything. "Conscience was free, trade was free. But hunger and squalor and cold were also free; and the people demanded something more than liberty."¹ As one after another of the Factory Commissions proved, a few generations of freedom had produced a physically degenerate and morally corrupt nation. Freedom had emptied the countryside and over-crowded the towns. It had produced commercial upheavals of devastating magnitude which spread destitution all around. Its advocates had failed to regulate production or to regard it under any qualitative aspect. The characteristic output of the age was "cheap and nasty." It had led to such inequalities of distribution of the products of industry, that Charles Booth estimated a million of London's inhabitants to be in a state of semi-starvation through failure to earn "a subsistence wage." It had no regard for the social aspects of consumption. Free enterprise had completely failed to ensure any minimum standards of health, shelter, education and leisure for the people, nor could the apostles of industrial liberty find time to pause and consider the evils of the exploitation of the labour of women and children in the factories and mines.

¹ Winston Churchill, *Life of Lord Randolph Churchill*, p. 269.

Nevertheless the sentiment of the dominant classes until well after the mid-century was coldly utilitarian and individualistic. Prudence was proclaimed the first of the virtues and the gospel of self-help was accepted as embodying the highest code of conduct. In so far as men held up before their eyes a social ideal, it was conceived as a simple arithmetical aggregate of the well-being of the separate units which constituted society. The sense of community was weak. The doctrine of the existence of a "social will" won its way but slowly into acceptance. The gradual recognition of social claims which transcend, and of social ends which cancel, those of the individual belongs to the last quarter of the century. Meanwhile, in the absence of a conception of a higher "good" than that of the individual, the prevailing philosophic modes were marked by a prominent vein of pessimism which ran through the teachings of economics and politics, the administration of the law, the practice of education and government, and the speculations of science and theology.

The intellectual, religious, and philanthropic ferment of the 'seventies went on most rapidly in the mind of the middle classes, the first to be shaken out of the smug complacency of their unimaginative, self-centred existence. There were numerous contributory influences. The transference of evolutionary conceptions from biological to social science encouraged a faith in human perfectibility and a belief in an ultimately perfect human society, organized by a "Parliament of man, the Federation of the World." A new school of thought was rising to challenge the dismal theories of the classical economists and to teach a more hopeful doctrine. The new science of sociology, an art of social organization, was being evolved by the patient work of thousands of investigators, who revealed the dangers lurking in the shadowed slums, and shocked the conscience of the nation by laying bare in their naked

horror the condition of the homes of the poor in the dark places of the land.

Religion and Literature. Religion, too, lent her aid, and now by the Christian Socialism of a Maurice or a Kingsley, and again by the intervention of a Cardinal Manning to alleviate the distress of a dockers' strike, the Church showed her sympathy with aspirations for social justice. The spirit of the time spread to the Universities, and young men, dedicating themselves to life and labour in the University Settlements, reached forward to a deeper understanding of social problems, and attempted to re-organize the scheme of existence for the slum dweller by sharing with him the benefits of their culture and their broader outlook. There were prophets in the land who, each in his characteristic way, opened the eyes of the nation to the ugliness which was all around, and pointed out the way to a new order of society—a happy and healthy people in a "City Beautiful." There were novelists who held up to well-deserved contempt or ridicule institutions which were the outward and visible symbols of a mode of thought already passing quickly out of use. Their satire contributed to hasten the disappearance of "Dotheboys Hall" and the "Circumlocution Office." There were poets, too, and writers of Utopian romance, all with a forward vision, shunning the industrial order, and pointing a way out of the vulgarity and the materialism of the age.

Such were the waters that, troubled and turbulent and eddying at first, finally united and swept down in a broad flood, refreshing the thirsty land and bringing the dormant seed to vigorous life.

The Acceleration of Progress. There are in the history of any society periods of relatively rapid movement alternating with periods when the need is for conservation and consolidation to prepare for further advance.

In the most modern age the tendency is for breathing spaces to become shorter and for movement to become more breathlessly rapid. It is a modern attitude of mind to prefer "fifty years of Europe" to a "cycle of Cathay." The contemporary schoolboy, who yesterday was interested in "listening-in" to London or Manchester on his home-made wireless set, and to-day is thrilled by hearing a voice from Pittsburg, knows what scientific progress means, and awaits with growing impatience the next instalment of the exciting serial. There was a similar forward movement in the 'seventies, although the acceleration of progress was not then so rapid as it has become in more recent times.

Increase of Scientific Knowledge. The middle years of the century were pre-eminent for the additions that were made to our knowledge of the properties of matter and of the laws of nature, and to our control over natural forces. The content of the physical sciences was enormously enlarged by the researches of Michael Faraday (1791-1867) on electricity, and the discoveries of the relation between electrical and chemical action. He was one of a long line of chemists who penetrated deeper and deeper into the nature of matter, and laid the foundations upon which a thousand industrial processes have since been built up. The great theories of evolution and natural selection revolutionized the scientific outlook and reacted strongly upon age-old conceptions of the universe. Under the stimulus of Charles Darwin (1809-1882), Thomas Huxley (1825-1895), Herbert Spencer (1820-1903), and Alfred Russel Wallace (1822-1913), biology took an immense stride forward, and new sciences of man and new interpretations of human history arose, such as anthropology, or the science of human origins, and sociology, or the science of social conduct. To each of these there corresponded a practical art. Under the lead of the biological

and social sciences a new direction was given to politics and to civics, while eugenics held out the ideal and the practical means of improving the race.

Of the greatest significance for social welfare was the new direction given to medicine and surgery by the researches of Pasteur into the nature and habits of bacteria. In 1870, while Sir Joseph (afterwards Lord) Lister was demonstrating in Scotland the use of antiseptics in surgical operations, Professor John Tyndall was expounding his "germ theory" in a lecture on "Dust and Disease" before the Royal Institution. As a result of such advances in the science, the practice of medicine was revolutionized ; its preventive aspect was emphasized, and since this was also its social aspect, the care of public health became (next to the relief of destitution) the first and most important of the great social services which modern governments have organized.

Although many scientific theories of the mid-century have since been discarded, they served their purpose in their own day, and provided adequate explanations of facts then known. Modern scientific advance has resulted mainly from the invention of means of more accurate measurement, and many of our modern devices are but further applications, under the stimulus of commercial advantage, social demand, or national emergency, of principles already known or foreshadowed before 1870. Science emerged from the professor's laboratory, and since then the most striking progress has been made in its industrial applications. Every large manufacturing firm has now its research department where specialists seek to discover cheaper and quicker processes, to find commercial uses for waste products, and to invent substitutes. The electrical devices of Lord Kelvin and Signor Marconi have alone altered our whole mode of existence. Anaesthetics and X-rays, photography, telephones and cables, wireless

telegraphy, electric light and power, motor transport, aeroplanes, the cinematograph, radium—all these enter into our daily affairs. It is not too much to say that during the last half century science and technology have together created for us a completely new environment, altered our habits of life and thought, and profoundly changed our moral and spiritual outlook.

Stages in the History of Invention. It has been pointed out that the process of mechanical invention may usually be divided into three stages: a period of conception, a period of struggle, and a period of achievement.¹ The succession may be traced in the history of each single invention; it may also be discerned in the history of invention in general. If the early eighteenth century was a period of conception, and the late eighteenth and early nineteenth a period of struggling with mechanical difficulties, the second half of the nineteenth century was an epoch when inventions were rapidly developing into commercial successes, and influencing profoundly every phase of national life. The earlier inventions (e.g. the power loom and the locomotive) had been achieved by empirical methods; they were the product of ingenuity looking for short cuts. Later inventions resulted from a deeper understanding of the working of natural laws, and were based on exhaustive research into the nature of matter and the play of natural forces in the universe. The modern art of engineering is based on the principle of the conservation of energy; the art of photography on the analysis of light by the spectrum; the art of surgery on investigation into the life history of bacteria. None of these arts could have been developed by the exercise of mere cleverness. The results were not at first consciously sought for, being unsuspected and unimagined; but the possibilities revealed themselves ultimately to the eye

¹ Usher, *Introduction to the Industrial History of England*, p. 274.

of faith as necessary and indisputable consequences of a clear line of scientific reasoning, the final step as inevitable as the initial. We have to-day passed beyond this stage, and scientific research is now directed towards definite objects which our knowledge of natural laws shows to be practicable. At the present moment the aeronautist is seeking to solve the riddle of vertical flight by means of the helicopter; governments are excited about the perfecting and the preservation of the secret of the "death ray"; the "wireless" telephonist has demonstrated the possibility of television, and the surgeon is seeking to rejuvenate the world by means of the "thyroid gland." Psychical research is investigating sublimate states of human consciousness, and looks forward to the establishment of a definite link with the unseen world.

A similar progression may be seen in the history of political and social institutions. The period of conceptions, indeed, may be very remote. We may trace many of our notions of civic duty to the social philosophy of the ancient Athenians. Some of these conceptions, such as that of equality before the law, had to struggle to a new birth in the throes of the French Revolution. They have become fully effective only within the last half century. Such social movement as took place in earlier times was in the main an unconscious adaptation to circumstances. To-day it has become a conscious process. We are now, under the influence of social ideas wedded with the scientific spirit, engaged in deliberately creating a new social environment. We are less afraid of working out principles to their logical conclusions, and are becoming habituated to rapid change.

State Action. Statesmanship is an experimental science, and the art of government progresses by the method of trial and error. Relatively, the statesmen of 1870 lacked the faith that moves mountains, and their legislation

was marked by hesitancy. They recognized some of the symptoms of social disease ; but their diagnosis was often incorrect, and they administered their remedies with caution, leaving it to the patient to decide whether the physic was or was not worth the taking. Some, indeed, were not yet quite sure whether it was their business to prescribe at all ; others doubted whether their prescriptions could avail anything. The political instinct of the former warned them that a threat to "privilege and property" was inherent in the agitation for extended State action. In the face of industrial unrest the latter proclaimed the hopelessness of governmental effort. Like Lady Macbeth's doctor they declared : "Therein the patient must minister to himself." But this was a passing phase. Though for short intervals this view has prevailed, the conception both of the necessity for, and of the efficacy of, State action in relation to social and industrial welfare gained acceptance, and was translated year by year more readily and confidently into practice.

§ THE DOCTRINE OF "LAISSEZ-FAIRE"

The theory of government which determined the course of legislation from the time of the younger Pitt until after the middle of the nineteenth century went by the name of *laissez-faire*, "let everyone do as he thinks fit." It was based on the belief that self-help would more quickly advance the general happiness than benevolence. Everyone by pursuing his own interests was contributing to the sum total of social welfare, and should therefore be allowed the greatest possible freedom in determining his course of action. Restrictions imposed by law or custom which interfered with the liberty of contract were not only ineffectual in promoting commercial prosperity and social well-being, but were positively harmful. "The sole end," wrote John Stuart Mill in his *Liberty* (1859), "for which

mankind are warranted, individually or collectively, in interfering with the liberty of action of any of their number, is self-protection." Arnold Toynbee, in his *Industrial Revolution in England*, quotes two earlier passages which proclaim the doctrine in the most unmistakable terms. The former, from a work of James Anderson, a Scottish farmer-economist, runs: "Private interest is in this, as it ought to be in every case in well-regulated society, the true *primum mobile*, and the great source of public good, which, though operating unseen, never ceases one moment to act with unabating power, if it be not perverted by the futile regulations of some short-sighted politician." The second is from the *Essay on Population*, by Rev. James Malthus: "By this wise provision, i.e. by making the passion of self-love beyond comparison stronger than the passion of benevolence, the more ignorant are led to pursue the general happiness, an end which they would have totally failed to attain if the moving principle of their conduct had been benevolence. Benevolence, indeed, as the great and constant source of action, would require the most perfect knowledge of causes and effects, and therefore can only be the attribute of the Deity. In a being so short-sighted as man it would lead to the grossest errors, and soon transform the fair and cultivated soil of human society into a dreary scene of want and confusion."

The first great apostle of industrial freedom was Adam Smith, whose *Wealth of Nations* appeared in 1776. His teaching squared with the doctrines of political liberty which spread rapidly during the era of the French Revolution. On the industrial side the most important practical consequence was the gradual abandonment of protective tariffs¹ originally designed to force trade into certain channels. On the political side, there ensued the agitation

¹ See the budgets of Pitt (1784), Huskisson (1823-6), Peel (1842-6), and Gladstone (1853-67).

for parliamentary reform and the partial concession of 1832. But the negative results were still more significant, for the teaching of *laissez-faire* produced a distrust of what was called "grandmotherly" legislation. It was impossible to deny the facts regarding the disgraceful factory conditions and the abominable circumstances of life in many of the industrial towns, but there was a disposition to regard them as the inevitable concomitants of trade prosperity, and a willingness to be persuaded that all was for the best in spite of all appearances to the contrary. It was not that there were no voices raised in protest against such a gloomy doctrine. But they were voices crying in the wilderness, and the warnings fell unheeded on the ears of a nation either too ignorant or too absorbed in trade and industry to listen to the prophets of a more hopeful creed.

§ THE REACTION FROM "LAISSEZ-FAIRE": LITERARY INFLUENCES

Thomas Carlyle. The influence of mid-Victorian literature was in thorough-going opposition to *laissez-faire*. The chief voices of the new spirit were Thomas Carlyle (1795-1881) and John Ruskin (1819-1900). The former preached the doctrine of a moral and ethical change in society, and the gospel of work. He deplored the passing away of the permanent, intimate relationships of a past era and the restlessness of the present industrial age with its "cash-nexus" and scamped workmanship. Although he sketched out the general course of future remedial legislation¹ and advocated the encouragement of emigration,

¹ "An effective 'Teaching Service' I do consider there must be; some Education Secretary, Captain General of Teachers, who will actually continue to get us *taught*. Then again, why should there not be . . . an *effective system* of emigration, so that . . . every honest workman who found England too straight, and the 'Organization of Labour' not yet sufficiently advanced, might find likewise a bridge built to carry him into new Western lands?"—Carlyle, *Past and Present*, p. 227; ed. Chapman and Hall.

Carlyle's was a critical rather than a constructive mind, and he impressed his generation chiefly as a great moral and ethical teacher, who sought to restore the credit of the virtues of honesty, truth, duty, and obedience in a world which seemed to him to have forgotten the worth of these things.

John Ruskin. John Ruskin, too, attacked the orthodox political economy of his day, on the ground that its standard of measurement of national prosperity was riches, not manhood; wealth, not welfare. The industrial machine turned out commodities in obedience to commercial demand without reference to their relation to human well-being. "We manufacture everything except men; we blanch cotton and strengthen steel and refine sugar and shape pottery; but to brighten, to strengthen, to refine or to reform a single living spirit never enters into our estimate of advantages."¹ He saw in the modern dislike of resolute labour (due to extreme use of machinery and minute subdivision of labour, taking away all joy in work) the root cause of misery and crime and degradation. Like Carlyle and Mill,² he believed that social reform should begin with a moral change, a change of heart and mind in the individual; he felt that little or nothing might be looked for from any mechanical reconstruction of society. Ruskin expected but limited results from governmental remedies; addressing himself to workers in *Fors Clavigera*, he said: "I beg you most solemnly to convince yourself of the . . . fact that your prosperity is in your own hands. Only in a remote degree does it depend on external matters, and, least of all, on forms of government."

¹ Quoted in de Gibbins *English Social Reformers*, p. 212.

² "To render any such social transformation either possible or desirable, an equivalent change of character must take place both in the uncultivated herd who now compose the labouring masses, and in the immense majority of their employers."—Mill, *Autobiography*, p. 133; ed. Longmans Green and Co.

So, too, in *Unto This Last* he declared that all effectual advancement must be by individual, not public effort. Nevertheless he favoured legislation promoting education, and the establishment of government workshops for the relief of unemployment, and argued the social justice of pensions for the aged. Ruskin was intensely interested in projects for better housing, and was active in the work of investigation and amelioration which was being carried on in London by Miss Octavia Hill and other voluntary agents. He knew that the evil of overcrowding in the towns was intimately connected with the land question. He saw the labourer divorced from the land and driven by economic pressure to swell the residuum of the cities ; and therefore urged the need for the re-settlement by private effort of the surplus urban population in land colonies.

Carlyle and Ruskin stood forth, therefore, as teachers who based their social teaching not on an economic but on a moral and spiritual analysis of the needs of man and society. They represented the literary and aesthetic revolt against the sordid ugliness and selfishness of " Manchester " economics. While socialism connoted to Marx and Lassalle a system of economic distribution and social organization which was destined to displace the competitive regime, these English prophets interpreted it as an ethical principle in social relationships on which alone could be based the enduring happiness and prosperity of the whole people.

William Morris. In William Morris (1834-1896), a pupil of Ruskin and of Carlyle, the artist is for once united with the propagandist. He was a prominent member of the Social Democratic Federation, and for three years (1881-4) edited its organ *Justice*. His attack on capitalism came from a different angle. Being himself a creative artist, he saw in the machine industrialism of his day the

ruin of craftsmanship. Good workmanship was only possible to free and joyous workers, and free and joyous workers were only possible in the fully socialized state. His *News from Nowhere* revealed him as a revolutionary Utopian, rejecting the slow permeation of socialism through parliamentary action as advocated by the Fabian Society, as well as the methods of trade unionism, both of which seemed to him to be based on acquiescence in existing economic and political arrangements.

The Victorian Novelists. The spread of the humaner spirit which impelled the statesmen and reformers of 1870 to undertake extensive schemes of social betterment is seen also reflected in the pages of the imaginative literature of the period. The novels of Charles Kingsley, Mrs. Gaskell, Charles Dickens, and Charles Reade must be reckoned as formative influences on opinion no less than the vehement philippics of Carlyle, and Ruskin's earnest insistence on fundamentals. In them we find "the spirit which is behind programmes."

Matthew Arnold. Among the poets Matthew Arnold (1822-1888) voiced the discontent. His attitude resembled that of Wordsworth, who "died in an age he condemned." Falling on an "iron time," Arnold's spirit was vexed by the

"stormy note
Of men contention-tost, of men who groan."

Thyrsis.

He sought in nature and art some measure of relief from

"This strange disease of modern life
With its sick hurry, its divided aims,
Its heads o'ertaxed, its palsied hearts."

He tried to diagnose the disease, and came upon the same thought as we have found in Ruskin—

“ For what wears out the life of mortal men ?
 ’Tis that from change to change their being rolls :
 ’Tis that repeated shocks, again, again,
 Exhaust the energy of strongest souls
 And numb the elastic powers.
 Till having us’d our nerves with bliss and teen,
 And tir’d upon a thousand schemes our wit,
 To the just-pausing Genius we remit
 Our worn-out life, and are—what we have been.”

The Scholar-Gipsy.

In *Culture and Anarchy* (1869) we find the artist in revolt against “ Manchesterdom ” ; Arnold is in this sense a fellow of Ruskin and Morris. His conception of the State is “ the nation in its collective and corporate capacity controlling as government the full swing of its members in the name of the higher reason of all.”¹ He argues for the enthronement of such an authority, representing our best selves made perfect by culture.

Lord Tennyson. Tennyson was more complacent ; he accepted without misgiving the facts of scientific advance, and, doubting not that “ through the ages one increasing purpose runs,” he dipped into the future and saw the “ wonder that would be.” Like Ulysses, he

“ Followed knowledge like a sinking star
 Beyond the utmost bound of human thought.”

But Tennyson does not reveal himself as deeply sensitive to the degradation and waste of human life which was proceeding side by side with this intellectual and material advancement, and his is not therefore to be reckoned among the prophetic voices of the new social spirit. Tennyson “ elaborated and decorated the obvious,” and mirrored

¹ Ernest Barker, *Political Thought from Spencer to To-day*, p. 198.

the accepted modes of thought of his age. But because of his understanding of the simple humanity of peasant and peer, and his sympathy with the universal tragedies of life, he touched a responsive chord in a thousand hearts, and won acceptance in quarters where the note of revolt might have aroused fear and alarm.

Robert Browning (1812-1889). The "base of Browning's creed, as of Carlyle's, is the gospel of labour; he believes in the supreme moral worth of effort."¹ While his style was too obscure to produce any immediate effect on the practical issues of his day, and his life was lived apart from the arena of conflict, his influence must be sought in the encouraging note of buoyant optimism which taught that every failure was but partial success, and that all passage from the lower to the higher, in social as well as in every other kind of development, must be through the discipline of failure.

Poets and novelists were at one in shunning the commercialism and decrying the industrial successes of their day. Their sympathies were with the masses whose manners were still simple and unsophisticated. It was a sure artistic instinct that led them to prefer the portrayal of peasant types to the description of the upper classes, for the artificialities of polite society barred the outlet of character in action, while in humbler circles conduct was the direct expression of the inner life. They held up to universal detestation the ugly features of modern society. We shall search in vain for constructive programmes, for to think these out was not their function as imaginative artists. Nevertheless, they were tributary streams that fed the flood, and carried the nation away irresistibly from the blind belief in the beneficent working of individual freedom to the conception of an all-watchful, all-pervading, and all-protecting State.

¹ Mair, *Modern English Literature*, p. 203.

§ THE REACTION FROM "LAISSEZ-FAIRE": POLITICAL PHILOSOPHY

Among the political philosophers, the most prominent leaders of thought were John Stuart Mill (1806-1873), Herbert Spencer (1820-1903), and Thomas Hill Green (1836-1882).

John Stuart Mill. John Stuart Mill's writings on economics and politics exerted a most powerful influence on the men who were entering public life about 1870. While he would have professed himself a utilitarian and an individualist, he nevertheless reflects the new social outlook of the time, and there are in his numerous writings indications of a forward vision. Mill is a transitional force. In his hands utilitarianism begins to be less individualistic and assumes more and more a socialistic quality.¹ He unites a political Liberalism with an economic Socialism. In his *Essay on Liberty* (1859) he concedes the right of combination, even though the free action of individuals should be thereby curtailed. His *Representative Government* (1861) restates the case in favour of the extension of the franchise to wage-earners and even to women. His *Political Economy* (1848) refers with great approval to the prospects of co-operation. In his *Autobiography* (1873) he uses words which, taken as they stand, mean that Mill had a vision of the completely socialized State. "I look forward to a time when the rule that they who do not work shall not eat will be applied, not to paupers only, but impartially to all; and when the division of the produce of labour, instead of depending, in so great a degree as it now does, on the accident of birth, will be made by concert on an acknowledged principle of justice; and when it will no longer either be, or be thought to be, impossible for human beings to exert themselves strenuously in procuring

¹ E. Barker, *Political Theory from Spencer to To-day*, p. 20.

benefits which are not to be exclusively their own, but to be shared with the society they belong to.”¹

Herbert Spencer. Herbert Spencer brought to the study of social theory conceptions borrowed from the biological and physical sciences. In his *Social Statics* (1850), *Principles of Sociology* (1876), and *Man versus the State* (1884), he showed how forms of human society could be explained in the new language of evolution. Society, being an organic and natural growth, should be permitted to develop under the operation of the law of the “survival of the fittest,” however cruel to the individual. State relief to those who were unable to maintain their place in the struggle for existence was not only futile but mischievous. He saw in the extension of the power and functions of the State a peril to individual liberty, for it would reduce every action of the citizen to a dull and lifeless uniformity. The characteristic of living organisms is diversity; no two natural objects are alike. Nor should the action of an all-powerful State, as in the military stage of society, be allowed to crush out individuality. From one standpoint Spencer appears, therefore, to be a representative thinker of the age of *laissez-faire*; nevertheless, from another point of view he appears in his revolt against the State to foreshadow the anarchist conception of society which became prominent a generation or two later.

Thomas Hill Green. A middle-class Nonconformist and a Liberal of the political school of John Bright, a temperance reformer, and an educationist, Professor T. H. Green occupied the chair of Moral Philosophy at Oxford, where his *Lectures on the Principles of Political Obligation* were delivered in 1879–80.

Starting from the fact of human consciousness, and the liberty which that consciousness postulates to will for itself and for other selves ideal objects and relations, Green finds

¹ Mill, *Autobiography*, p. 133.

in this an implication of a system of rights recognized by society. He then passes on to the conception of some power enforcing the rights which the good will of a community recognizes as means to the fulfilment of its ideal ends. Here is the paradox which underlies all law: freedom rests on a foundation of force. The State, or the organized machinery of the common will, exists to remove all obstacles which interfere with the right of everyone to realize the highest good of which he is conscious. Human capacity must be liberated for self-direction towards a common good. Applying this analysis to the practical questions connected with education, temperance, and property in land, he urges the positive functions of the State. Intervention is justified for the sake of the individual and of society, because ignorance and intemperance are obstacles to the full realization of the capacity of the former, and consequently an impoverishment of the latter. The fundamental right to life and liberty carries with it as a further corollary the right of property. Green finds no difficulty in justifying an unequal distribution of property provided only it is ever a means of realizing a will potentially directed to social good. But he condemns the land system because he conceives it to be the root cause of the existence of a propertyless proletariat, the members of which are unable to pursue in their own lives any ideal good inasmuch as they lack the instruments and environment by and through which they can realize themselves. By the time that Thomas Hill Green, at Oxford, was developing his political theory, and supplying Liberalism with the philosophical justification of its creed, the State had already cautiously entered upon its positive function of securing the conditions of the good life for each and all of its members. But the teaching of Green contributed to set the current of opinion strongly in the direction of State intervention, and his attacks on the assumptions of

utilitarianism and individualism may at least, as Professor Dicey has suggested, have " facilitated the combination, not unnatural in itself, of Church sympathy with socialistic sympathies."

Christian Socialism. The group of Christian Socialists of the 'fifties, led by the Rev. F. D. Maurice, sought to apply practical Christianity to the purposes of trade and industry, and looked upon the spread of co-operative associations for production as the means by which industrial relationships were to be transfigured. Christian Socialism in this form did not long survive, and was not destined to work great changes in social arrangements. After the collapse of the workshops it was represented only by the educational ideals of the Working Men's College (founded in 1854). Greater success attended the other side of the co-operative movement. The consumers' societies kept aloof from politics, and asked only for freedom to develop along their own lines, to carry on a quiet propaganda, and to maintain their dividends.

Positivism. There was in the 'eighties a renaissance of Christian Socialism in a modified form with Land Reform instead of Co-operative Production as a constructive policy. In this revival the influence of the positivist philosophy of Auguste Comte (1798-1857) counted for much. He had shown how scientific principles might contribute to an understanding of the problems of social reconstruction, and declared that the goal of philosophy must be social, and its work the regeneration of society.¹ Sociology thus took on a more dynamic aspect. Instead of contenting itself with the investigation of social order as it was there and then constituted, it applied itself to a study of the laws of social progress, and supplied to social reformers a philosophy of history which enabled them to present their proposals as stages in a continuous line of

¹ Barker, *Political Thought from Spencer to To-day*, p. 200.

development rather than as empirical expedients without any necessary relation to what had gone before.

§ STATE ACTION : COLLECTIVISM

Empirical Statesmanship in England. It remains true, nevertheless, that the influence of philosophical theories of social progress on practical statesmanship in England was but slight. Englishmen are constitutionally suspicious of "theory," and prefer to act under the dictation of "facts." If theories conflict with the plain course of action suggested by a given set of circumstances, they are usually restated in such a form as to lend support. In consequence, the code of social reform in England bears many of the marks of our Constitution—each has taken shape, not in the mould of some preconceived and consistent doctrine of society and the State, but under the scarcely-felt but not the less effective pressure of the events of the hour. Public ownership and control in England did not arise out of a philosophy of history or a theory of the State ; it emerged rather as a practical way of reaching certain desired results. Faced with the problem of improving the conditions of life and labour for the masses of the people, statesmen employed devices which were all along regarded as exceptional—not strictly squaring with abstract principles of government but doubtfully conceded to the demands of a newly-awakened sense of social equity.

Theory and Practice. Until the 'eighties *laissez-faire* was still the theory generally accepted, but it was already becoming a merely conventional mode of thought, out of touch with realities. The half-truths which had hitherto been accepted as axiomatic in all discussion on political and social arrangements were now found to be totally inadequate as a basis for a sound social structure. In fact, the State had already at many points invaded the frontiers

of individual liberty. By the Truck Acts and Employers' Liability Act, it had intervened between employer and workman; by the Adulteration Act, between producer and consumer; by the recognition of Tenant Right in Ulster, between landlord and tenant. There was as yet no widely accepted theory of the functions of the State which explained these interventions as the working of an important principle that in the fulness of time would be urged to its logical conclusions. Yet the Truck Acts contained hidden within themselves the seeds of the Minimum Wage, and Employers' Liability was but a step on the road to Unemployment Insurance. The statesmen who hesitatingly took the step saw but a small distance ahead, and had no idea that they had turned a corner. Holding still to a century-old doctrine, they were in the spirit of compromise continually countering the consequences of its application by expedients belonging to a totally opposite theory. Early reformers were thinking of facts, not of theories, and if, as it has been said, we blundered upon our Empire "in a fit of absent-mindedness," it is no less true that we also took up the task of social reform with a total disregard of logical consistency.

Tory Philanthropy. Professor Dicey, in his *Law and Opinion in England*, calls the main current of public opinion since about 1865 by the name of "collectivism," which he defines as "a hope of social regeneration." The dominant trend of opinion and legislation in the preceding forty years had been individualistic; its direction had been determined by Jeremy Bentham, and its political expression was Liberalism. The humanitarian legislation of these years, e.g. Factory Reform and Emancipation of Slaves, was due to the efforts of Tory philanthropists such as Robert Southey, Richard Oastler, and Lord Shaftesbury, who had to encounter the hostility of Sir Robert Peel,

W. E. Gladstone, and the Manchester School of Economists led by Richard Cobden and John Bright, all speaking with the voice of orthodox *laissez-faire*. Each side scored a victory in the contest. In the domain of commerce, the repeal of the Corn Laws was a triumph of the principle of non-interference. In industry, the intervention of the State on behalf of the factory workers was no less an abandonment of this principle. This was the first important step towards the organization of industrial life on a collectivist basis. Moreover, the principle of collective bargaining by which trade unions, after the decline of Chartism, sought to protect their members from the harsh pressure of economic laws was equally at variance with the Liberal principle of the freedom of workers and employers to contract for services by individual wage bargains. There grew up in consequence a "sentimental friendliness" of the Tories of the Disraeli school "towards workmen engaged in conflict with manufacturers, whose mills offended the aesthetic taste and whose radicalism shook the political authority of benevolent aristocrats."¹

Liberalism in Transition. But while most of the earlier factory legislation was due to Tory philanthropy, most of the later measures of reform, since the grant of household suffrage, are to be attributed to the newly awakened zeal of the Liberals for social amelioration.

"Those were golden days for the Liberal Party," writes Mr. G. W. E. Russell in his biography of William Ewart Gladstone. "They were united, enthusiastic, victorious, full of energy, confidence, and hope. Great works of necessary reform, too long delayed, lay before them, and they were led by a band of men as distinguished as had ever filled the chief places of the State. At their head was a statesman who, by his rare combination of high principle, passionate earnestness, and practical skill,

¹ Dicey, *Law and Opinion in England*, p. 243.

was beyond any other qualified to inspire, to attract, and to lead. He had now carried to a successful issue his first great act of constructive legislation—for the erection of the Irish Church into a voluntary body with self-governing powers was at least as much a constructive as a destructive act—and his impetuous spirit was already seeking fresh worlds to conquer." The statesmanship of Gladstone felt the stir of the great intellectual, religious, and philanthropic ferment which was leavening society. His ideas, like those of all men who belonged truly to their age, were changing with the years. Professor Dicey speaks of his "capacity for honestly sharing the varying and even the inconsistent sentiments of his age." Under his leadership the Liberals, hitherto the bitterest opponents of State intervention, and the most jealous advocates of free and unfettered enterprise, seriously began their task of regenerating society by Acts of Parliament. They set legislation fairly on the path to collectivism. There remained a few voices to utter warnings. In the name of doctrines which had held sway in the minds of the leaders of the nation for a hundred years, and were revered because of their antiquity, they declared that disaster to our peace and prosperity lay in that direction. And even those whose feet were set upon the road looked now and then doubtingly back, as if uncertain whether the Ideal State lay behind or in front.

Investigation of Social and Industrial Conditions. The change in sentiment which has already been referred to is clearly revealed by the attitude of the Gladstone ministries towards the great problems of social and industrial reconstruction which confronted them. The first thing needed was to get at the facts. There was no greater obstacle to social reform by legislation than ignorance of the nature and extent of social evils, and the absence of accurately recorded figures. Private philanthropists and

slum workers had already been attacking the social question in detail, and were able to contribute important suggestions. Royal Commissions¹ summoned witnesses and considered memoranda. Week by week the official reports of the inspectors appointed to supervise the operation of the Factory Acts and the Education Acts accumulated for the use of the government an invaluable store of information. Each year this was more carefully collated and made available for use in the convenient form of statistical abstracts, upon which generalizations might with more or less assurance be based, according as all or only some of the facts had been brought under review. This method of progress in social science had been advocated by Comte, and its value had been recognized by Mill for the purposes of social reform. "Instead of arriving at its conclusions by general reasoning, and verifying them by specific experience (as is the natural order in the deductive branches of physical science) it obtains its generalizations by a collation of specific experience, and verifies them by ascertaining whether they are such as would follow from known general principles. This was an idea entirely new to me when I found it in Comte, and but for him I might not soon (if ever) have arrived at it."²

The Fixing of Responsibility. The facts being known, the next question concerned the allocation of responsibility for the state of affairs which had been revealed, and the nature of the remedies to be applied. With regard to the first point, it was growing clear to all who thought about it that the responsibility lay upon the State whose inaction had hitherto been defended on an obsolescent theory of its functions, and by a mischievous economic teaching. Grave doubt had been cast upon the efficacy of the operation

¹ The most important of these Commission and Committee Reports are given in Appendix I.

² Mill, *Autobiography*, p. 120-1.

of private self-interest in promoting social happiness. Its failure was manifest in the evidence of every factory inspector and of every social investigator, and in the witness of anyone who had eyes to see. Even science and invention, from which so much had been expected, were called to account. "Hitherto it is questionable," wrote Mill in 1857, "if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number to make fortunes. But they have not yet begun to effect those great changes in human destiny, which it is in their nature and in their futurity to accomplish." The potentialities of science and invention for the improvement of the human lot had not been realized because their social uses had not yet been recognized. They had been utilized only for the increase of material wealth, as though that were an end in itself. The idea that wise spending was at least as vital for social happiness as quick getting was only just beginning to find expression in the literature of economics and social reform.

We find a corresponding change in the theory and practice of the government. Gladstone's Irish Land Act will serve to typify the advance in ideas regarding the province of the State, for it exploded the whole doctrine of freedom of contract as between landlord and tenant, and laid down necessary limits within which such freedom might be permitted. Similarly, the Factory Codes and Public Health regulations were in effect a denial of the factory-owner's or the private citizen's right to do what he liked with his own. The higher right of the community acting through representative institutions to set limits to individual freedom was gradually conceded. The State learned to prescribe the conditions under which a manufacturer was permitted to earn profits, and then ventured

with increasing boldness to demand the surrender of a portion of them for purposes of its own. "The legislature, even as it now is," wrote Carlyle in *Past and Present* (1843), "could order all dingy manufacturing towns to cease from their soot and darkness; . . . Baths, free air, a wholesome temperature, ceilings twenty feet high, might be ordained by Act of Parliament in all mills." That is to say, the State could insist that a larger proportion of the material wealth created by manufacture and commerce should be directed to provide social and industrial amenities. By 1870 the opinion was becoming general that the State not only could, but ought to, carry much further the regulation and the disposal of the product of industry.

§ SOCIALISM

Utopian Reconstruction. The collectivist State which the Gladstone Liberals of the 'seventies began to erect rested on an unchanged social and economic foundation. There was no break in historical continuity. Society based on private property, and industry based on private enterprise, were still the corner stones. But the positive functions of the State were now enlarged. By extending its ownership of property, by engaging in commercial enterprise, by exercising powers of regulation and control, and by providing every citizen with the means for the cultivation of the "good life," the community in its collective capacity set out to remedy the defects of a purely acquisitive society, modifying, but not changing, the ultimate principles on which it was founded. Robert Owen in the 'thirties had advocated total reconstruction on an entirely new basis. The Christian Socialists in the mid-century had organized small committees for production in which private and selfish advantage as a motive to enterprise and effort would be replaced by a social and communistic ideal of service. There were also the Utopian

reconstructions of Lord Lytton, *The Coming Race* (1870) ; Samuel Butler, *Erewhon* (1872) ; William Morris, *News from Nowhere* (1891) ; and Robert Blatchford, *Merrie England* (1893). But all these ideas appeared to the average man of the 'seventies to be fantastically impracticable. The more recent Utopian romances of H. G. Wells have been received in a different spirit. Experience of the possibilities of science and of collectivist action forbids us to dismiss these visions of a future society as groundless fantasies.

Marxian Socialism. There was no self-contained body of Socialist doctrine until Karl Marx supplied it in the *Communist Manifesto* and in *Das Kapital*. The central doctrine in Marxian economics was that Labour is the primary and only necessary factor in production, and that all value is a function of labour. Capital, he argued, arising as a result of certain historical accidents, had succeeded in entrenching itself in a position of commanding influence, but the same historical causes were now making for its ultimate overthrow. It was, therefore, the duty of the labouring masses to hasten this process by combining to secure supreme political power and, having done so, by a simple act of legislation to abolish private property and nationalize the means of production. The State organized as a political democracy would then immediately pass over into a social democracy. Not only would it throw down the barriers which had hitherto divided the classes within the community, but it would also open its frontiers to the peoples of other states. Nationalism, with all that it implied in its armaments of offence and defence, its peculiar laws, its economic tariffs, which had hitherto served to buttress up a system based on capitalism and privilege, would melt away in a brotherhood of the peoples.

Marxism postulates an almighty State. Even the trade

unions, which may be useful at first in fostering class consciousness, must abandon any attempt selfishly to maintain privileges for themselves ; they must be prepared to surrender themselves wholly to the democratic State which they have helped to create. Neither individuals nor groups can be permitted to limit the right of the organized community to order the life of each for the welfare of all. The State is supreme.

Socialism as a self-conscious "movement," based on a definite interpretation of economics and having a clear conception of the ultimate State in view, sought to establish itself in English life and thought at first quite apart from the vaguely sentimental socialism of philanthropists, or the sporadic attempts of the Government and the Trade Unions, to reconstruct society. The Social Democratic Federation of 1884, under the leadership of H. M. Hyndman, drawing support from the London Radical Clubs, accepted the Marxian doctrines and set to work to preach the social revolution. This was neither to the taste of the Trade Unions, who were patiently building up their organizations, accumulating funds, jealously guarding their privileges, and keeping politics outside, nor to the benevolent Tories, who were establishing settlements, charity organization societies and other palliatives. The Federation remained therefore in isolation. It was "haughtily dogmatic and intransigent ; it occasionally broke out into open hostility against the trade-union movement ; it never appealed to the average British mind, though it had a faith and an energy which ought to have moved mountains."¹

William Morris, an early member, broke away after a few months and established the Socialist League. He had found himself increasingly out of sympathy with the doctrinaire basis of Marxism ; more of an artist than a sociologist, he rejected the cult of the all-pervading

¹ Note : Ramsay Macdonald, *The Socialist Movement*, p. 232.

State no less than that of the all-producing machine. He lamented the "obliteration of the individual in averages" equally with the decay of personality in craftsmanship, and, by his championship of the worth of the individual in society and in industry, he won for socialism a body of sympathizers among the middle classes who would still have spoken with contempt of Socialism. They were willing to accept socialism as an aesthetic protest against Victorian England even while unwilling to shed their economic and political individualism. The Socialist League lasted only a few years and, like Morris himself, whose teaching went to the other extreme of Anarchism, exercised no influence on practical politics. Yet something had at least been done to bring the abstractions of the Social Democratic Federation into more living relation with the everyday facts of English life and character.

A much more important work in the direction of permeation had been started by the young men of the Fabian Society in 1883. By systematic research and patient educational work carried on by means of lectures and pamphlets, the Fabians trained the growing body of Trade Union, Trades Council and Co-operative Society secretaries, Poor Law Guardians, School Board members, and Borough Councillors to think collectively. They gathered a rich treasure of statistical information and gave to the science of sociology a sound basis of ascertained facts and figures. They "reformed society by graphs and averages." George Bernard Shaw taught the nation the "Commonsense of Municipal Trading." Under the influence of the Fabian Society the principles of collectivism spread much more rapidly in the sphere of local government than in that of national government; yet even here the leaven was powerfully at work in the closing years of the century.

The Awakening Social Conscience. On account of the origin of the first analysis of class-conscious Socialism,

it was regarded for many years as un-English. But while Socialism as an economic and political programme had so far but few adherents, there were numerous agencies, some of which accepted it as a spiritual and moral ideal of brotherhood, linked up with the ethics of Christianity, others of which were moved by a vague sentimentalism. Slumming became "the fashionable vice of the 'eighties." The awakening consciousness that something ought to be done sent out many well-meaning people, too often mistaking the spots for the disease, to work in the crowded areas of the great towns. But though, in proportion to the enormous task of reclaiming millions from poverty and degradation and hopelessness, their efforts availed little directly, nevertheless it was on the road marked out by social investigators and settlement workers that legislation stumbled clumsily along, steering a zig-zag course with difficulty among the rival interests, and dreading ever to trample upon the sacred principle of freedom of contract. Sir William Harcourt's confession, "We are all Socialists now," marks the period when it was becoming clear even to doctrinaire individualists that their practice had been all along different from their profession, and that for good or ill the State had become definitely socialistic in its tendencies, if not in its theory.

§ PROGRESS IN ECONOMIC THOUGHT

The Meaning of Economic Laws. Parallel with the changes in social and political outlook, we find also profound modifications in economic science, reacting in a hundred ways on practical legislation and industrial organization. In the first place there arose a better understanding of the nature of economic "laws" Formerly regarded as enjoining particular modes of action and interpreted as commands, to disobey which would be to court disaster, they were now seen to be merely generalized

assertions that certain results followed from given conditions; clearly, therefore, if society chose to alter the conditions, different results would follow. Economic science, as such, ceased to buttress any particular form of industrial or political organization, and admitted the right of society deliberately to bring ethical considerations into play to modify the working of purely economic causes.

Change in Method of Economic Enquiry. The methods by which economists reached their conclusions were also transformed. Earlier statesmen and economists had used the deductive method, deriving their conclusions from premises inferred from the so-called "facts of human nature," themselves arbitrarily assumed to be true. But modern inductive economics has become a progressive science. It does not venture to assert any "self-evident" principles, but builds up its conclusions on the experience of social and industrial trial and error, and with the collateral aid of any of the human sciences (e.g. psychology) which look at the same facts from a different angle. "We cannot be too inclusive in our gathering of data," says a recent writer. "If we have learned anything at all in the past ten years it is assuredly that there are no separate sciences at all, for they interlock with each other and inter-influence each other in the most amazing way, and ethics impinges upon economics and psychology upon ethics, and sociology upon both in a way which must be taken into account in any consideration of human relationship."¹

A Change of Emphasis. At the same time one notices the beginnings of a change of emphasis. Modern economic science gives proportionate attention to problems of distribution. Earlier political economy was the science of the process of private wealth accumulation. It simplified human motives overmuch. To-day its discussions pass

¹ John Lee, *Principles of Industrial Welfare* (Pitman), p. 34.

easily into an examination of social implications, and it has rid itself of that tendency to regard human life in a mechanical aspect which formerly rendered its best established propositions no better than half truths.

The traditional enumeration of the agents of production, as land, labour, and capital, has been found to be unsatisfactory. Capital is losing its prominent place in the three-fold analysis. It is resolved into functions of the other factors. The conception of capital as "congealed labour" was at the basis of the Marxian teaching. Furthermore, the rise of joint-stock industry has brought into prominence the functions of the entrepreneur, or business manager. The classical economists, in their analysis of the agents of production, were contemplating a condition of industry when an individual, or a partnership of individuals, supplied the unit of capital, and owner-management was the rule. That condition has now passed away, and modern economic writings reflect the change.

The Iron Law of Wages. The classical economists who dominated thought and practice in England until about 1870 placed a theory of exchange value in the very heart of their teaching. Commodities (including labour) were exchanged, according to their view, in a ratio governed by their cost of production. Wages were, therefore, subject to an "iron law," which decreed that they must inevitably fall to the level of subsistence, and that every effort to raise them by combined action was foredoomed to failure—a dismal doctrine. In the aggregate the amount available for the remuneration of labour was limited by the "wages fund" which was divided between the workers. Any legislative change which tended to increase the average length of life, or to reduce infant mortality was, therefore, said to be opposed to the true interest of the masses, who stood to gain by the limitation of their numbers. The influence of Malthus' *Essay on the*

Principle of Population (1798) is plainly discernible in economic writings throughout the nineteenth century, and was a powerful factor in the encouragement given to colonial emigration during the 'seventies. These fatalistic doctrines were somewhat discredited in the revolt of the optimists between 1870 and 1880, under the lead of Professor W. S. Jevons in England, for the Wages Fund theory and the Iron Law of Wages were shown by the success of trade unionism to be without validity, and the operation of the Law of Diminishing Returns seemed to be capable of an indefinite postponement by the endless application of scientific invention to production.

Wealth and Welfare. Professor Cannan has pointed out that "for the discussion of changes in a socialist or communist direction, the political economy of the first half of the nineteenth century does not deal with the right subject matter."¹ It uses the term wealth in its secondary meaning as material objects possessed of exchange value. Modern economic science has brought it back to its primary connotation of "well-being." The character of the effort involved in creating wealth is a determining factor in welfare. If it be pleasurable, social well-being may be increased out of proportion to any addition to the stock of exchangeable wealth. If it be painful or debasing, there may be a net loss to social well-being even though great wealth be produced. Moreover, "a great quantity of that part of the produce of industry which is created by men and women working, not for money rewards but from other motives, such as family affection or duty to the community, is for all practical purposes incapable of being valued and set down in the sum total of commodities and services with exchange value."² It follows, therefore, that any conclusions derived from premises in which the

¹ Cannan, *Theories of Production and Distribution*, p. 394.

² *Ibid.*, p. 394-5.

term wealth connotes only "exchangeable wealth" can be true only in a limited sense, and are unsafe as a guide to practical statesmen and reformers. From the point of view of society, what matters is welfare or well-being, and this has no necessary relation to the stock of material or exchangeable wealth possessed by individuals.

New Conceptions—Marginal Utility. The greatest contribution to the science from the economists of modern times is the doctrine of marginal and total utility. The only utility which things possess is in their capacity to minister to the wants of human beings. Human nature being what it is, satisfaction passes more or less quickly into satiety, and each successive increment of a thing enjoyed adds less to enjoyment. The utility or satisfaction derived from the ultimate portion consumed is called the marginal utility. If we think of the utilities of each successive portion from first to last as aggregated, we reach the conception of the total utility of the object.

Considered in relation to the distribution of wealth, the doctrine of marginal utility comes to the aid of a policy dictated by ethical considerations of social justice. For as each successive portion of exchangeable wealth brings to the possessor a lesser addition to well-being, it follows that the welfare of society as a whole will be promoted by any change tending to a more equal distribution of exchangeable wealth through the community. In this consideration is to be found the economic justification of progressively graduated taxes. The State deprives the individual of those portions of his wealth the private spending of which would bring him least satisfaction, and employs the proceeds to provide social utilities which every member of the community may share.

Applied to the factor of labour in industry, the doctrine of marginal utility means that the level of wages is determined by the utility of the "marginal" worker. If as

a result of improved health and intelligence his efficiency in industry is increased, his marginal value will rise as well as the aggregate utility of labour. To this advance in the productivity of labour, wages must respond, as long as the strength of the other factors in production remains unchanged. The conception provides an economic justification for all legislation which tends to raise the average health and intelligence of the nation. It gives ground for confidence in the soundness of "social investments" on education, housing, sanitation, feeding of school children, insurance, the provision of libraries, parks, and other ameliorative agencies.

Producers' and Consumers' Surplus. A second important conception is that of producers' and consumers' surplus. A more searching analysis of the elements in cost disclosed the fact that every unit produced except the last (or marginal) yielded to the producer a surplus or excess beyond that which would have induced him to co-operate. This was the basis of Henry George's advocacy of land taxation (in *Progress and Poverty*, 1880).

From the standpoint of the consumer, the doctrine means that every unit consumed, except the last (or marginal) which the consumer is just induced to purchase, gives him a surplus of satisfaction, which is the psychological reason why he effects an exchange at all. This principle is of the greatest importance in the selection of articles of consumption for indirect taxation. The selection should be made with a view to reducing the aggregate of surplus utilities in the community as little as possible. The surplus utility of sugar being so much greater than that of tobacco, for example, the policy dictated by modern principles of taxation is to transfer the burden from the former to the latter. The same doctrine of marginal utility is at the basis of every revision of the proportions of indirect and direct taxation.¹

¹ See Chapter XII.

CHAPTER II

THE SITUATION IN 1870

A COMPARISON of the tables in the census of 1871 with those of earlier and later dates shows that certain broad changes and shiftings, with the results of which we are to-day quite familiar, had already set in, and were producing the conditions of life in Great Britain which have made necessary the remedial legislation of the last half century.

Rural Decline and Urban Growth. The depopulation of the country and the growth of the towns are revealed in numerous tables. The agricultural counties of Hereford, Norfolk, Suffolk, Wilts, and Devon showed a gain of 1 per cent to 3 per cent only from 1861-71, and less in the succeeding decade, while the rate of increase for the whole of England and Wales was 13 per cent. The manufacturing counties of Lancashire, Stafford, Glamorgan, and Durham had grown 15 per cent, 16 per cent, 25 per cent, and 35 per cent respectively in the same interval, and 14 per cent, 23 per cent, 29 per cent, and 27 per cent in the following ten years. In 1861 the urban population was 61·8 per cent of the whole. Sixty years later, the proportion had increased to 79 per cent. Of the present population of 38 millions, about 30 millions are town-dwellers. These figures, being averages for large areas, conceal the total desertion of many a village, and but faintly indicate the mushroom growth of many a town. Yet in them we have a measure of the problem of overcrowding in the urban areas, since the building of houses by private enterprise by no means kept pace with the public need. The organization of local transport was still in so rudimentary a state, and the

working day so long, that it was necessary for the workers to live under the very walls of the factories in which they found employment.

Social investigators had for some time past been watching the spread of the towns and the depopulation of the countryside with growing disquietude, for the change had been allowed to take its course uncontrolled by any principles of public policy. However important in its place was the individualist principle of freedom of contract, it contained within itself no guarantee that the rights of third persons, that is, of the community at large, would be respected. And since the community had not yet carried its practice of the art of government to such a point as to have set up checks and controls to safeguard itself against the operation of individual self-interest, it reaped the fruits of its negligence and delay in ugliness and squalor, in filth and pollution, in crime and immorality, in pauperism and destitution in every town and village in the land.

§ OCCUPATIONAL CHANGES

A careful examination of the occupational census reveals the same change from another point of view. There occurred between 1861 and 1871 a rapid decline in the number of those employed in agriculture, amounting to about one in six. Meanwhile the whole population had grown over 13 per cent, so that the proportion of agricultural workers to the whole fell from 10 per cent to just over 7 per cent. There was an almost equivalent increase in the number of industrial workers, who in 1871 were rather more than one half of the total "occupied" population.

The decline in the rural population was a result of the change from arable to pasture consequent on imports of cheap and abundant corn supplies from the United States.

There was at the same time an enormous demand for unskilled labour on great constructional works, such as railways, and a large part of this was drawn from the farms. Emigration accounted for part of the loss. There was an annual average emigration from the United Kingdom during the 'sixties of about 160,000. The number rose in 1869 to 236,000, and remained high until 1873.¹ Of these a large proportion came from the rural districts. Of those who left our shores in 1869, six out of every seven went to the United States of America. The seventh went either to Canada or to Australia.

The growth in the industrial population was not uniform over all its branches. With the single exception of coal-mining, there was an actual decline in all branches of the mining industry, due to the importation of foreign ores. In the textile trades, though there were fluctuations, the main tendencies observed are a decline in the silk, flax, and linen branches, and an expansion in the numbers of the cotton and wool operatives. The most striking increases are to be found in the number of workers engaged in transport service (railways, harbours, tramways), while the great shipbuilding and engineering trades were expanding with equal rapidity. Commerce, too, was absorbing an increasing proportion of the enterprise and labour of the country. The relative decline in domestic occupations which set in about 1870 is the first warning of the "servant problem" which became acute in the middle-class households of the next generation. There was a noticeable increase in the numbers belonging to the professional and official classes, corresponding to extensions in the functions of government and the growth of municipal enterprise.²

¹ Johnson, *Emigration from the United Kingdom*, p. 15.

² For statistics of occupational changes 1881-1911, see Appendix II.

§ THE INDUSTRIAL SITUATION

Although industrial conflicts were by no means unknown, they were not of great magnitude before 1870, and led to no great public inconvenience. There was as yet little industrial unrest in the modern sense. Notwithstanding the appalling conditions under which large numbers of the poor lived in the big towns, the neglect of sanitation everywhere, the prevalence of disease, the exploitation of the labour of women and children, and many other blots on our mid-Victorian civilization; notwithstanding also the denial of political rights to all outside a narrow class, and the oligarchic character of local government, there was a social solidarity which found expression in many pleasant social courtesies, in loyal service on the part of the worker and friendly co-operation on the part of the employer. Although wealth had grown rapidly, the ways of spending it had not increased at the same rate. The standard of personal expenditure among the wealthy was not as a rule such as to outrage the feelings of the poor. The opportunities of lavish indulgence had not yet been elaborated, and the social code did not encourage a public display of extravagance and luxury.

The profits of industry, large as they were, were for the most part reinvested to build up our manufactures and to extend our commerce, and thereby contributed to general prosperity. Industrial capital was rapidly accumulating, and the rate of interest was tending to fall. Improved industrial processes, mechanical inventions, cheaper and more rapid communications, and enlarged markets were bringing down prices. Meanwhile the influence of legislative restrictions on the labour of women and children, and the tendency to a shorter working day for all, gave to labour, relatively to capital, an advantage in bargaining. The new trade unions were created to exploit this

advantage to the full, and, in consequence, both money wages and real wages tended to rise.

Trade Unionism. Industry had by 1870 entered fully on its capitalistic phase, and the growth of banking and credit was already creating the "absentee capitalist," with consequences no less portentous for manufacturing industry than the rise of the "absentee landlord" for agriculture. In the earlier part of the century manufacture was carried on in the main under the personal supervision of the factory owner, and the worker had at least a distant hope that with the exercise of energy and determination, and a little luck, he might one day become his own master. There had been no social class harbouring a sullen grievance against society and government in general. "Class-consciousness" was an outgrowth of the new industrial order, an instinctive closing of the ranks for mutual defence against a supposed enemy who was the more dreaded because he could not always be seen. It was born of a psychological complex in which the most prominent element was a sense of permanent inferiority to those who owned the means of production and who thereby controlled the conditions of its life and livelihood. Conscious of their weakness as a bargaining force in face of this consolidation of the power of capital, the workers sought to achieve the same comforting sense of solidarity by drawing together into larger trade unions. The concentration of thousands of industrial workers in the towns and factories created the conditions under which they could be effectively organized. But the legal status of the trade unions had been cast into doubt by recent judicial decisions, and in 1870 an active agitation was proceeding for legislation which would safeguard them and render their further development possible.

Co-operation. The co-operative movement, another form of workers' organization designed to correct the

inequalities which seemed to result inevitably from industry organized on a competitive basis, had been making marked progress in the 'sixties. The English and Scottish Co-operative Wholesale Societies were established, and in 1867 the first Co-operative Congress had met. The principle of co-operation had been applied so successfully among consumers that a development was to be looked for among producers. As early as 1848 John Stuart Mill, in considering "the probable futurity of the labouring classes," had prophesied that sooner or later the workers would become their own employers, use their own capital pooled on some co-operative plan, and rise from the position of dependent wage-earners to independence through co-partnership. The Christian Socialists, among whom Frederick Denison Maurice, Henry Vansittart Neale, Charles Kingsley, and Thomas Hughes were the leading spirits, had secured in 1862 the passage of the Industrial and Provident Societies Act, which protected the funds of the stores and the workshops. They had also made some experiments in co-operative production. But no commanding success had been achieved by 1870 in the direction of purely working-class industrial co-partnership. One or two societies established in that year have survived to our day, but greater success has attended the profit-sharing experiments started on the initiative of employers of labour.

Factory Conditions. Factory legislation had in 1867 been carried a stage further by the Workshops Regulation Act, abolishing the artificial distinction by reason of which the early Factory Acts applied only to places where more than fifty workpeople were employed. But the Act was permissive only, and the public opinion which found expression in the bodies entrusted with local government was hardly yet educated up to a due sense of responsibility in enforcing the regulations. Freedom of action was still

fettered by the fear of reprisals from private interests, and the Act remained totally ineffective. There was no attempt to regulate the hours of adult male labour, although in practice the limitation of the hours of labour permitted for women and children indirectly operated to reduce the length of the working day for men. Outworkers were hitherto totally unprotected, but the reports that were reaching the government from factory inspectors describing the terrible conditions of those employed in "sweated" trades was giving rise to much anxious questioning.

Against the five great risks to which the average industrial worker is subject, viz., old age, industrial accident, sickness, unemployment, and widowed motherhood, there was none of the protection which in at least four of the five eventualities is afforded by modern social insurance.¹

§ SOCIAL WELFARE

Public Health. Since the cholera scourge which had passed over London in 1866, more attention was being paid to the question of Public Health. Nevertheless, open sewers were still quite common, and epidemics of enteric, typhoid, and smallpox were frequent. In 1870 the rate of mortality among infants and children was higher than in any other year of the century. The remedy was to be sought in improved sanitation, and the foundations of one of the most beneficent of the public services were laid by Sir John Simon, the medical adviser to the Government, who secured co-ordination in the administration of the Public Health Acts, and began to substitute the word "shall" for the word "may" in the regulations of the newly-established Local Government Board. In 1870 the Royal Commission on Sanitation was gathering evidence for the report on which future legislation was to be based.

¹ See Sir W. H. Beveridge's scheme of co-ordinated insurance "for all and for everything."

Education. The Treasury Grants to voluntary schools which had commenced with a very modest £20,000 in 1833, had by 1870 reached £894,000. There was accommodation in inspected schools for about two million children, the average attendance being not much more than half this number. "But there was no standard of teaching and no code; the distribution of the schools was irregular, and in many growing manufacturing towns there were no schools at all. . . . No child need receive any instruction unless it happened to be a pauper, a criminal, the child of a soldier, or at work in a factory";¹ for such children alone was educational training before 1876 compulsory under the law. There had been a rapid advance in public opinion on the question of education; it was clear that private effort could never be adequate for the need, and as the opposition of statesmen to schemes of State interference became less pronounced, the establishment of a public elementary educational system entered the field of practical politics. But the importance of secondary, technical, and university education had still not been realized, and no State aid was forthcoming for higher education until twenty years later.

§ NEW SOCIAL CLASSES

The advance of Great Britain as an industrial and trading country was resulting in a new social stratification. With the decay of agriculture and the extension of the franchise, the landed aristocracy was impoverished, and its political influence declined. The new democracy comprised the trading, the industrial, and the moneyed classes. Invested wealth usurped the power hitherto wielded by wealth in the form of land, and one by one the political privileges which attached to territorial ownership were lost. The chief characteristic of the new wealth, as well as of its

¹ Redlich and Hirst, *English Local Government*, II, p. 226.

owners, was its mobility. Capital changed hands quickly, and flowed here and there in quick responsiveness to the changing level of profits. Its owners had none of the sentimental attachment which linked the older aristocracy with the land, and they derived their income from sources of which they might be totally ignorant.

Some of the wealth newly created in manufacture and commerce was used to acquire estates and a "standing in the county" for the sake of sport and the social amenities of the "country house." Many large holdings were broken up in consequence, and the younger sons of the older aristocracy either sank their prejudices and entered the field of commerce, or carried on old traditions in the younger colonies. The new owners resided in their country houses only for short seasons, and the administration of their estates by paid agents did nothing to improve the relation between landlord and labourer which formerly existed. Ownership of land ceased to carry with it any social obligations towards the peasantry, and a landed estate was run on the lines of a factory, organized, that is to say, not with the will and intention of maintaining the largest possible number of people in decent conditions, but with a view to securing the maximum satisfaction for the owner.

In the towns the most significant feature was the emergence of the "proletariat," consisting of those dependent upon their own specialized labour, possessing no property in land, working with tools which belonged to their employers, and practically incapable of rising into independence unless assisted by unusual qualities of character or the play of circumstance. Even their specialized skill was apt to suffer deterioration as mechanical inventions displaced their labour, and caused them to sink into the colourless anonymity of machine-tenders. Apprenticeship lost thereby most of its value, and came to be regarded by the organized

workers as a means of restricting the number of entrants into a trade, rather than as a method of training and discipline. Except where the trade unions as they developed strength succeeded in erecting such artificial barriers to safeguard privilege and monopoly, and to defend their members against the competition of lower-grade workers, the horizontal mobility of labour increased. As the machine became the brain, and the worker the hand in industry, he could move more easily from one occupation to another, but could take the pride of a craftsman in none. It was unquestionably good for the expansion of British industry that labour could be easily concentrated when and where it was required. But there was little vertical mobility. "Once a labourer, always a labourer." It was to remedy this important defect in social arrangements that public education was developed after 1870. This was expected to restore the principle of equality of opportunity which industrial developments had destroyed. Later experience has taught how little public education under existing conditions has availed in this direction, in comparison with what it is in fact capable of doing to correct the inequalities of birth and station.

§ THE POLITICAL SITUATION

The period opens with the nation in a mood of buoyant optimism. The credit of the country had survived the shock of the great financial crisis of 1866. In foreign affairs there prevailed in the early part of 1870 a profound calm. There were no war clouds on the political horizon, and the peace of Europe seemed assured. Trade was booming, revenue increasing, large instalments of public debt were being paid off year by year, and it was regarded as a great achievement that the cost of the Abyssinian Expedition of 1866-8 had been so quickly discharged. There was little unemployment, and wages

and consumption were rising. The fiscal policy of Peel stood justified by its results, and there appeared no reason why the development of manufacture and commerce under Free Trade, which had already made England "the workshop of the world," should not continue. Gladstone had started a tradition of frugal administration in the public services which, in budget after budget, permitted of steady reductions of taxation and of funded debt.

The State of Parties. Between the two great political parties, the Conservatives and the Liberals, the pendulum¹ had been swinging and continued to swing with remarkable regularity, and the fruits of office were shared with a close approximation to equality. The strength of the former lay in the Counties, the county gentry, the clergy, the Universities; they stood up for the Constitution, the Church, and agriculture. The support of the Liberals came from the large towns, the manufacturers, the Non-conformists; they represented the demands of industry—cheap food, cheap production, extension of foreign markets, peace and retrenchment, freedom from artificial restrictions on enterprise.

The Second Reform Bill. Three years earlier, in 1867, Disraeli had "caught the Whigs bathing, and stolen their clothes." In another phrase, he had "dished the Whigs" by passing through Parliament the Second Reform Bill, a task which Lord John Russell had failed to accomplish the year before. By this manoeuvre the political instinct of Disraeli sought to repair the damage

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| ¹ Liberal, 1852-8 ; | Conservative, 1858-9 ; |
| Liberal, 1859-66 ; | Conservative, 1866-8 ; |
| Liberal, 1868-74 ; | Conservative, 1874-80 ; |
| Liberal, 1880-85 ; | Conservative, 1885-92 ; |
| Liberal, 1892-95 ; | Conservative, 1895-1906 ; |
| Liberal, 1906-1914 ; | Coalition, 1914-20 ; |
| Conservative, 1920-24 ; | Labour, 1924 (Jan.-Nov.) ; |
| | Conservative, 1924 (Nov.). |

done to the Tory cause by Peel's great "betrayal" of the agricultural interest in 1846. It was clear to him that in the fullness of time political power, "broad-based upon the people's will," would inevitably pass into the hands of the millions of town-dwellers. Disraeli needed the support of the substantial artisans, now collecting themselves into the trade unions, to break down the domination of the *laissez-faire* Liberals, and to carry on the social and factory legislation of the Tory philanthropists. The Act of 1867 had enfranchised about a million men, chiefly of the skilled artisan class. Contrary to expectation, Gladstone was returned to power in 1868, a result probably due to a healthy reaction from the theatrical Imperialism of Disraeli.

Local Government Reform. But before experiments on social reform could be undertaken on any large scale, it was necessary that machinery of local government should be set up adequate to the task. A beginning had been made in the boroughs by the Municipal Reform Act of 1834, and the establishment of Boards of Guardians for the purpose of administering the Poor Law Amendment Act of 1835. A further step had been taken by the setting up of Sanitary Boards to carry out the provisions of the Public Health Acts of 1868. Unfortunately the principle adopted was the creation of another *ad hoc* authority, an error which contributed to the chaotic state of local government in later years. But the country in 1870 still lacked any efficient and universal system of local control, without which legislation was apt to remain a dead letter, and it was clear that the recent movement towards democracy in national government must be followed by a similar advance in local government. Here again the authoritative pronouncement of John Stuart Mill exercised a commanding influence on his contemporaries. He demonstrated that only by the educative influence of

self-government in the affairs of the town and the village could a healthy public opinion be created. Only by the actual assumption of social responsibility by elected representatives could a sense of social responsibility be fostered in the community. In the absence of this, parliamentary legislation was a waste of time and effort. The reform and the extension of local government was therefore one of the most important tasks before Parliament.

Administrative Reform. At the same time some re-organization of the central administration had to be undertaken. Recent legislation had thrown a growing burden on the executive departments which was sometimes shared by existing bodies, and sometimes entrusted to new boards and officials created for special purposes. The division of functions did not proceed on any systematic plan ; there was overlapping ; there were Boards which never met ; their powers were too often undefined ; and there was a general lack of co-ordination. Unless the extension of State activity in regard to sanitation and health, housing and factory reform, education, and so forth, and the development of local representative institutions to deal with these, were accompanied by reconstruction of the central machinery of administration, confusion would become worse confounded. Civil Service Reform must therefore proceed side by side with Local Government Reform in order that the motive power of a democratic Parliament might be effectively applied to the task of raising the condition of the people.

CHAPTER III

TRANSPORT AND COMMUNICATIONS

THE basic factor in all commercial, industrial, agricultural, social, and political developments during the last century was the growth of mechanical transport. No sooner had the French Revolution liberated the mind of man from a spiritual and political bondage than the steam engine afforded him the means of emancipation from a physical bondage. Slow, expensive, and perilous journeyings along difficult roads into regions fifty miles distant, and known only in fable, were not lightly to be undertaken; for the mass of the people life and labour were circumscribed within the narrow limits of a village environment. But liberation came speedily. "Legal and physical disabilities were removed almost simultaneously. At the very time when men found themselves free to choose their means of livelihood, new instruments of production, machines, lay to their hands, and new occupations opened out on every side. The result was new peoples, new classes, new policies, new problems, new Empires."¹

With the coming of the railway, village routine broke down; the new mobility converted the village into the town, and the town into the city; it shifted the centre of gravity of the population, altered the habits of the people, and gave them a new outlook. The whole of modern life, therefore, rests upon a mechanical basis, and if it be true that all industrial effort is in the ultimate analysis nothing more nor less than a shifting of things

¹ Prof. Lilian Knowles, *Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century*, p. 7.

from one place to another, it will be seen that the one indispensable condition of economic progress, and therefore of social and political advance, is easy, rapid, and cheap transport and communication. From whatever standpoint the developments of the late nineteenth century are regarded, they will be seen to rest fundamentally upon this fact of increased mobility. The rapid movement of population made possible by modern transport has to a large extent broken down social barriers, and in each generation social life is less exclusive than it was a generation earlier. Provincial habits of life and thought are vanishing. Greater knowledge is bringing in its train a broader tolerance, and the area of community interests continues to expand. There is a greater diffusion of the material comforts of life with the consequence that wants are increasing and standards are rising. Above all, in the modern age, ideas are disseminated with incredible rapidity, and the impulse of moral and spiritual forces transmitted through the channels of the press may alter the tone of the nation in a night.

§ ROADS

Roads in Great Britain in 1870 were either "parish" or "turnpike." The former were inferior roads, serving only local needs within the parish boundaries, and maintained out of the proceeds of a rate which the Highways Act of 1835 empowered the Poor Law authorities to raise. The latter were through roads, made and maintained by private capital and controlled by Turnpike Trusts under the authority of more than a thousand private Acts of Parliament passed during the eighteenth century. On these roads tolls were paid according to a fixed scale for the passage of all wheeled vehicles and driven cattle. In 1871 "there was still a toll-house every six or eight miles

in most parts of the country, and about 5,000 men were employed as collectors.”¹

The Abolition of the Turnpikes. The tolls were extremely unpopular, and in the middle of the nineteenth century, following the “Rebecca Riots” in Wales, the abolition movement began. By this time the “calamity of the railways” had reduced most of the Turnpike Trusts to a condition of bankruptcy. The disappearance of the stage-coach had robbed them of one of the chief sources of their revenue. Moreover, many of the Trusts had been inefficiently managed, and responsibility was frequently evaded, so that notwithstanding the progress that had been made in the technique of construction, the roads in many parts of Great Britain were deteriorating. The system of tolls was felt to be inconvenient and inequitable, and presented obstacles to the flow of commerce which were inconsistent with the prevailing trend towards freedom of trade. “The inequality of the burden was strongly felt. In one district five tolls might be paid in twelve miles, in another thirty might be travelled without a single payment.”² The statute labour for the repair of roads was unpopular, and compulsion was difficult to enforce. The organization of highway transport was becoming totally inadequate to the growing requirements of the time, and it was nobody’s business to improve it.

Public Highway Administration. The remedy was to transfer the roads completely to public control, exercised by an authority not too restricted as to area. A Select Committee of the House of Commons was appointed to dis-turnpike the roads by dissolving the Trusts and transferring their powers to the Highway Boards acting for groups of parishes. “From 1864 onwards the Turnpike Trusts now dropped out at the rate of twenty or thirty

¹ Porter, *Progress of the Nation*, p. 548.

² Prothero, *English Farming Past and Present*, p. 287-8.

a year, their roads being handed over to the Highway Districts or to the separate Highway Parishes on which they lay. Presently the dissolution went ahead at an accelerating rate. The Act of 1870 disposed of no fewer than 78 Trusts. The Act of 1871 ended tolls in London. From 1871, when there were 854 Trusts existing, they had fallen by 1875 to 588, by 1881 to 184, and by 1883 to only 71. In that year the Scottish Turnpike Trusts ceased to levy tolls. In 1887 only 15 Trusts were left, and in 1890 only two. It was, however, not till 1895 that the last surviving Turnpike Trust, that for the Anglesey portion of the Shrewsbury and Holyhead road, came to an end.¹

In 1878 the desire to equalize the burden still further led to the Highways Amendment Act by which half the liability for maintaining the disturnpiked main roads was placed upon the Justices of the Peace in Quarter Sessions, at that time the sole County Authority. The remainder of the burden rested on the parochial districts until the County Councils, created by the Act of 1888, relieved them of it altogether. In urban areas the local authorities could either maintain their own roads out of money allocated from the county rate, or could hand them over entirely to be administered by the county authority. Parish roads continued to be controlled by the smaller local authorities, and the cost increased so rapidly that in 1905-6 more than half of the total expenditure of rural district councils was incurred in their maintenance.²

New Methods of Locomotion. In the 'eighties a new method of road locomotion was coming into general use. The "safety" bicycle was invented in Coventry in 1885, and during the next ten years cycling for recreation and for business sprang rapidly into favour. It reached its apex of popularity about 1896, the year of the great

¹ S. and B. Webb, *Story of the King's Highway*, p. 222.

² Porter, *Progress of the Nation*, p. 548.

cycle trade boom, when some eleven millions of fresh capital were subscribed for new and enlarged cycle-manufacturing companies. At the same time attention began to be paid to the motor car, so far developed chiefly in France, but regarded in England still as a somewhat clumsy, noisy, and laughter-provoking contrivance. The repeal in 1896¹ of the "Man and Flag" Act of 1865 marks the transition to the era of motor transport. By 1900 the use of motor vehicles was rapidly spreading, and the prejudice of men and of horses was disappearing. By the year 1903 motor-buses were already on their trial. The motor-cab came with a rush in 1909, when there were already 55,000 private cars licensed for use. At the same time the motor-lorry was rapidly displacing the horse-drawn wagon.

With the rapid spread of motor traffic the wear and tear on all kinds of roads increased enormously. Of the traffic passing over a given stretch of road each year an increasing proportion became non-local, and contributed nothing to local rates. It soon became obvious that the care of highways would develop into a national concern. But there was no machinery in existence for unified control. Notwithstanding the changes which had been made with the object of distributing the heavy burden of maintenance more equitably, highway administration still remained in the hands of far too many authorities exercising powers far too strictly limited. The highway from London to Carlisle was administered by seventy-two separate bodies not one of which had power to construct a new road.² No central control was exercised by the Local Government Board.

Cost of Road Maintenance. Meanwhile the cost of road

¹ This Act made it compulsory for vehicles driven by mechanical power to be preceded by a man waving a red flag.

² S. and B. Webb, *Story of the King's Highway*, p. 243.

maintenance was rapidly increasing. The new road-users, at first cyclists and then motorists, were demanding an improved surface, smooth and dustless. The cost per mile increased between 1890 and 1902 from £43 to £65 in rural districts, and from £49 to £207 in urban districts. The revolt of local ratepayers against the increasing burden led to a reversion to the old principle of the tolls, that those who used the roads should pay for their maintenance in proportion to their use of them. In 1903, the proceeds of the motor registration duties were ear-marked by the Government for the relief of local ratepayers. The alleviation of the burden of the rates was still far from adequate, and the continued increase in the number of motor vehicles, carrying heavier loads at greater speed over roads that could not support the strain, created a difficult situation for the local authorities.

The Road Board of 1909. Further relief was afforded in the Budget of 1909 by the establishment of a Road Fund, for which the proceeds of the increased licence duties on motor vehicles and the new petrol tax were ear-marked. The fund was controlled by a new authority, the Road Board, which was empowered to make contributions towards the cost of new roads and of specific road improvements as distinct from the repair of ordinary wear and tear. The balance of cost was to be borne by the County Councils. It was intended that the resources of the Road Board should be carefully harboured in times of plentiful employment, and more liberally disbursed when it became necessary to alleviate a depressed labour market. From 1910 to 1916 the subsidies from the Road Fund averaged about £1,000,000 annually. In the fiscal year 1920-21 nearly £9,000,000 was expended to repair the dilapidation of the war years, and to provide employment for those who were brought to destitution by the unexampled depression of trade.

The constant increase in the quantity of motor traffic passing over our roads, and particularly through the streets of great cities, is again creating a situation which demands the setting up of improved road control. In the metropolitan area the question has become during the last two or three years most acute. The three-speed system of horse-drawn vehicles, motor buses, and fast taxicabs or private cars makes the passage of the streets a perilous adventure for the pedestrian, while the traffic blocks are a trial of patience for the passenger. The speeding-up of underground railways and of trams has apparently done little to relieve the congestion of the free traffic of the streets of London, and a demand has arisen for a new Traffic Board with power to consider the problem as a whole and to co-ordinate the control now exercised by separate authorities. Every large city is similarly faced with its own internal traffic problem. Motor transport in England has by no means yet reached the apex of its popularity, and with the certain multiplication of motor vehicles of all kinds within the next few years, the question of road development will become still more urgent.

§ CANALS

The competition of the railways was as disastrous for the canals as for the turnpikes. The total absence of regulation and co-ordination had resulted in the building of canals differing in gauge and depth, with no arrangements for "through" traffic, and each with its own complicated system of tolls. They were almost useless for modern conditions. Built in the first place to compete with road traffic, they were capable of navigation only by small barges. In the second place, having been constructed just before mechanical transport came into use, the banks were not fortified to withstand the wash from steam barges. To reconstruct them would involve the destruction

of valuable factories, stores, and other buildings standing on the banks in thickly populated areas, and would entail enormous cost. *Laissez-faire* in canal construction produced chaos and waste, and it was impossible for the companies to countervail the super-attractions of the railways. In these circumstances the canal boom of the early part of the century soon spent itself and left most of the companies bankrupt.

The Canals and the Railways. There was a general feeling, nevertheless, that the canals ought to be preserved for the sake of competition, and the Government tried in vain, even after 1870, to place obstacles in the way of their absorption by the railways. It was popularly believed that the decline of the canals was a consequence of the policy of the railway companies in buying them up and then deliberately allowing them to fall into desuetude, and there were many facts which seemed to lend support to this view. But the report of the Royal Commission on Canals (1906-1910) exonerated the railways. It was found that in the great majority of instances the canal companies forced the railway companies to absorb their interests. Some of the former were themselves carried away by the railway mania, and wished to realize their capital for the purpose of embarking on railway construction. Others, faced with the certainty of bankruptcy for themselves, threatened opposition to the acquisition of powers from Parliament by the railways and bargained for terms. In consequence about one-third of all the canals,¹ and these the most important, were acquired by the railways. The Report further acquitted the railways of the charge that canals acquired by them were maintained in a worse condition than those that continued to belong to the original companies, and it was admitted that changes

¹ Sir Robert Giffen gave the total mileage of the canals in the United Kingdom in 1900 as 3,813.

in trading methods, demanding speed above all things, were sufficient to account for their comparative disuse in the second half of the nineteenth century.

Nationalization of Canals. The appointment of the Commission in 1906 was the result of a revival of interest in canals during the trade slump of 1903-4. As in 1886, it was urged that the depression was due partly at any rate to the heavy burden imposed on industry by high railway traffic rates. Traders hoped that the competition of canal transport would force the railways to lower their tariffs. There were possibly also political influences at work in the direction of strengthening the case for the nationalization of all transport monopolies. The conclusions reached by the Commission were on the whole hesitating and qualified, reflecting a general lack of faith on the part of the investing public in the development of canals as a paying proposition. On the question of the acquisition of the canals by the State, the Majority Report said: "The whole tendency of the civilized world, both on the Continent and in most of the British Dominions, is towards the vesting of all important means of inland communication, whether by waterways, railways, or roads, in public authorities. We are unable to make a recommendation which would be out of harmony with the policy which practical experience has led so many nations to adopt." Nothing has so far resulted from the recommendations of the Canal Commissioners, and the question of public control and ownership awaits the solution of the larger problem of the future of all means of transport.

§ RAILWAYS

By 1870 the general scheme of our modern transport system had already been planned. There were at this time 15,537 miles of railways in the United Kingdom. The voice of John Ruskin, pleading for the preservation of

natural beauty whose quietude was threatened by the shrill, sooty steam engine, was unheeded by a people obsessed with the idea of "progress." Railway building continued to absorb the labour and the capital of the country, and as soon as one generation of our engineers and manufacturers had surveyed the United Kingdom and intersected it with iron roads, another generation was called to perform the same service for the newer world. Railway construction proceeded most rapidly in the 'sixties, when 5,000 miles were laid and some £200 millions of capital paid up. In 1870 the paid-up capital was £530 millions, and the number of ordinary passengers carried was 336 millions. By 1900 the mileage was nearly 22,000, the paid-up capital £1,176 millions, and the annual passenger total 1,142 millions. By 1920 there were 23,734 miles of railway; the paid-up capital had increased to £1,339 millions, and over 1,600 million passengers were carried. The railway services to-day give employment to nearly 700,000 men and women. If to these are added an enormous number of others engaged in subsidiary forms of transport, it becomes clear that the growth of the carrying services is of primary industrial importance.

Railway Development. The development of the railway system repeats the same general characteristics as have been referred to in the section on canals. Constructed under the stimulus of private and un-coordinated enterprise, and planned to reap immediate profits rather than to serve social ends, the railways came into being on a patchwork system of different gauges, differing rates, and differing regulations.

The original misconception regarding railways was that they were alternative "roads," for the use of which anyone who cared to haul a load along them should pay a toll exactly as he did on the turnpikes. It was a later development for the railway companies themselves to

undertake the haulage, and the charges were then made up of two distinct elements—the toll for the use of the “road,” and the cost of haulage. In addition, the overhead cost of administration and legal charges had to be met. In instituting comparisons between British railway rates and those in other countries, the student of railway statistics will note that each one of these elements of cost was in this country unduly high.

With no protection against the extortionate prices asked for land acquired compulsorily, they were seriously over-capitalized.¹ As the extent and the contour of Britain permits only of “short hauls,” the working costs per mile are relatively higher than in America or on the continent of Europe. Further, the legal procedure for getting private railway bills through Parliament was enormously costly, amounting on an average according to one estimate to £4,000 a mile.

After 1870 the mania for railway building declined. It was found that construction had proceeded beyond the requirements of the trade of the country, and that earnings were tending to fall in proportion to the paid-up capital. The average railway dividends in the United Kingdom in the last fifty years have varied as follows—

| | | | |
|------------|-------|------------|-------|
| 1872 . . . | 4·74% | 1910 . . . | 3·43% |
| 1880 . . . | 4·38% | 1919 . . . | 3·75% |
| 1890 . . . | 4·10% | 1922 . . . | 4·62% |
| 1900 . . . | 3·41% | | |

The fall in the dividend down to 1900 is parallel with the decline in the rate of interest on all gilt-edged securities, while the recent rise is due to the altered value of money consequent on the enormous destruction of capital during

¹ Capital is sunk in British railways at the rate of over £64,000 per mile, compared with £21,000 in Prussia, and less than £13,000 in America.

the period of the war. But this is not a full explanation of the changes, and, as we shall see, there were other causes at work.

§ THE BEGINNINGS OF STATE CONTROL

The fall in profits, in so far as it was understood to be due to cut-throat competition, forced the railway companies to modify their mutually destructive policy, and there followed a movement in the direction of working agreements and amalgamations. This was at once countered by a movement on the part of the State to limit and to control the threatened monopoly. Hitherto, the State had relied upon the force of competition to safeguard the public from exploitation. But the absorption of the canals followed by the fusion of competing railways alarmed the Government, and compelled it in the general interest to abandon in yet another sphere the traditional *laissez-faire* attitude. An unusually large number of Bills seeking powers to effect amalgamations and working agreements in 1871 drew attention to the danger, and the Commission of 1872 was appointed which led to the permanent Railway and Canal Commission of the following year. This was the first step towards a system of State control exercised over monopolistic undertakings by a limitation of profits. In 1888 maximum railway rates for every class of traffic were fixed and arrangements made for revision from time to time by the Commission. Proceedings were to be open; traders, the general public and representatives of other interests had a right to be heard. Without due notice, the railways could not raise their rates even within the limits fixed, and appeals to the Commission were permitted from interests affected.

Railway Competition. Rate-cutting was checked by the device of monthly conferences to adjust matters relating to competitive rates and traffic in each district.

These conferences came into existence between 1873 and 1881, and may be said to have closed the period of unrestrained competition. The action of the companies in 1891 in adopting as actual rates the schedule of statutory *maximum* rates evoked a storm of protest from the traders, and a protracted struggle followed. Meanwhile competition took the modified form of offering improved facilities. The Act of 1844 required each company to run a certain number of "Parliamentary" trains for third-class passengers at a maximum rate of a penny a mile. In 1872 the Midland Railway Company inaugurated a new policy by attaching third-class coaches to all trains. This was the first product of a healthy rivalry which raised the standard of the British railway service to a high level. The "Race to the North" (London to Edinburgh) in 1888, and again (London to Aberdeen) in 1895, were incidents in the contest. The furnishing of compartments was made more luxurious, dining and sleeping cars and corridor expresses were introduced. Longer non-stop runs, cheap excursions, tourist facilities, and so forth, were advertised to attract custom. But the rivalry had also its unhealthy aspect. There was in 1900 a further serious fall in dividends, and the holders of railway capital of over £1,000 millions had to face great losses.

The rising standard of railway travel involved the companies in heavy expenditure at a time when the rapid rise in the cost of local government was adding to the burden of the rates, and wages were on the up-grade. The competition of electric trams and motor buses was beginning to be severely felt. Further, the competition for passengers and goods traffic involved heavy outlay in advertising and in the building of additional stations. The proportion of operating expenses to gross receipts, which was 48 per cent in 1870, rose to 54 per cent in 1890, to 61 per cent in 1910, and to 63 per cent in 1913. The

railway companies began to realize that much of their competition was purely wasteful. "In the great department of handling and collecting traffic we had the clearest proofs of most undue and superfluous expenditure,"¹ a great deal of which contributed nothing to efficiency, but much to bad temper. Half-empty trains on duplicated lines, connections to rival systems deliberately made impossible, scanty loading of trucks, expensive canvassing for custom—all these wasted the resources of the railway companies without benefiting the public.

Movement towards Amalgamation. There was, in consequence, a renewed movement towards amalgamation. In 1909 Parliament refused to sanction a combine of the Great Northern, the Great Eastern, and the Great Central, and in default the companies fell back wherever possible upon informal agreements. For competitive traffic, revenue was pooled. Stations, rolling stock, and lines were given over to joint use. Such combination the public was powerless to prevent, though it recognized the symptoms in the withdrawal of facilities previously offered.

Not only the public but also the railway staffs scented danger. Every fusion which was successfully accomplished strengthened resistance against demands for improved wages and conditions. Hitherto the railway companies had steadily refused to recognize the trade unions on the ground that railway transport was in the nature of a public service, and that in the public interest discipline must be rigid. Both the Taff Vale and the Osborne decisions were given in consequence of the action of railway trade unions, and in the strike years of 1911-12 the railways were again a centre of unrest. The policy of State purchase was hotly argued both in and out of Parliament, and the example of

¹ Hon. George Peel, Chairman of Railway Investment Co., Ltd., quoted by Emil Davies, *The Nationalization of Railways*, p. 72.

other countries, particularly Germany, from whom we had recently borrowed the ideas of many projects for social reform, was freely cited.

The spontaneous movement on the part of the railway companies towards consolidation tended to strengthen the argument for nationalization, and when the Government took control at the outbreak of the Great War and guaranteed the dividends, it appeared to many improbable that the railways would ever pass back into independent ownership and management.

Railways Act of 1921. The Railway Executive Committee of railway managers constituted in 1914 for the organization of railway transport on a war basis did much to simplify and centralize the system. But the Select Committee on Transport in 1918 declared that in addition to unified management there must be unified ownership either by the State or by a large joint-stock railway combine. Nevertheless, the Government in 1920 decided against nationalization, and by the Railways Act of 1921 handed the railways back to private control. The Act provided at the same time that the system should be reorganized by amalgamation into territorial groups, with a view to eliminating direct competition as far as possible. The new arrangement came into operation on the first day of 1923. The new grouping produced four great systems: the London, Midland and Scottish, the London and North Eastern, the Southern, and the Great Western, the last named being the only one to retain its original name.

Under the agreements that were made at the outbreak of war when the railways passed temporarily into public control, large payments were made to the companies by the State. The normal revenue was totally inadequate to cover the standard dividend and the increased wage-bill. From 1914 to 1918 the State subsidy was regarded as a necessary item in the cost of conducting the war, but

on its termination it became clear that the State could not afford to carry the burden indefinitely, and it was decided that the railways should again become economically independent.

The Act of 1921 provided that the rates should be such as to secure a standard revenue equal to that in the last pre-war year, with additions for more recent capital expenditure. Any excess of earnings should be applied to reduction of rates as to 80 per cent, and to increase of dividends as to 20 per cent. To determine the rates a Railway Rates Tribunal was set up. This consisted of three permanent salaried members: "one a person of experience in commercial affairs, one a person of experience in railway business, and one . . . the President . . . an experienced lawyer." It was to be the duty of the Railway Rates Tribunal to take over many of the functions of the older Railway and Canal Commissioners, to consider schedules of rates submitted to it by the companies, and to furnish the Minister of Transport with an annual report. By this means the State secured such a measure of control as was necessary to safeguard the public who used the railways against the dangers of a virtual monopoly.

Wages and conditions of service were to be referred to a Central Wages Board and, on appeal, to a National Wages Board, on which the companies and the railwaymen were equally represented. At the same time local conciliation machinery was set up at each station or depot on the model of the Whitley Councils. Further, there were to be five Sectional Councils and one Railway Council for each group. The result of this measure was to place in the hands of the workers a considerably larger share in management.

Nationalization of Railways. The restoration of the railways into private hands after the war came as a disappointment to those who looked forward to a permanent

State system. The hopes and expectations of those who advocate the nationalization of railway and other public services are varied, and often mutually destructive of one another. The advocate of State socialism welcomes the extension of communal control over an industry which is in the aggregate one of the largest in the country, and of fundamental social importance. The trader and the traveller look forward to lower rates and fares, basing their hopes upon comparisons made with foreign State systems. The taxpayer, who as ratepayer has been relieved of part of his burden by the success of remunerative municipal enterprise, such as gas undertakings and tramways, anticipates that the savings accruing from the centralized administration of railways will further lighten his load. Others argue that the profits instead of going back in the form of reduced rates should be used to develop light railway transport in rural districts, which under the present system are neglected because they "do not pay." The social reformer is sympathetic towards such a claim because he recognizes the importance of rural development, but he prefers that a surplus shall be left to finance other projects of social amelioration in the regions of dense population. Lastly, the railway workers, comparing themselves with Municipal and Civil Servants, consider that they would be better off as regards wages, hours, and working conditions under a public authority than under a private company.

On the other hand, many fear that State ownership and full State control would result in a loss of efficiency and a lessening of the initiative and enterprise which commonly characterize private undertakings. Attention is drawn also to the dangers of bureaucracy which degenerates only too easily into corruption, nepotism, and venality. Some critics allege a certain dilatoriness of departmental procedure in the Civil Service where, as it is jestingly said, it

is an axiom of routine that a letter allowed to lie on a table for ten days in that interval answers itself. Ever since Sir Robert Walpole withdrew his Excise Bill in 1733, fiercely attacked in Parliament because it threatened to create a host of civil servants whose intervention at elections might prove to be a determining factor, it has always been feared that a large body of well-organized State employees might exercise an undue influence on politics and win concessions for themselves by indirect means. Strike action by 700,000 State railway employees would bear an aspect of civil mutiny, and coercion would be indistinguishable from civil war. It will be seen later (Chapter XII) that even among the workers themselves the policy of nationalization is slowly yielding place to new ideas regarding the control of industry.

§ DEVELOPMENT OF COMMUNICATIONS

The Post. Parallel with the development of transport, and equally vital to the establishment of world markets, has been the creation of easy and cheap communication through the post, the telegraph, the cable, and the telephone. The penny post within the British Isles dates from 1840. In that year forty-two million letters were carried. On an average each person received one letter every three months. By 1870, 847 million letters were delivered in the United Kingdom, or an average of one a fortnight for each person. In 1900 the number of letters had increased to 2,246 millions, or rather more than one a week each. In 1920 the number was 3,832 millions, or eighty-three per annum for each man, woman, and child in the United Kingdom. These figures take no account of newspapers, printed papers, post cards, and parcels, which in 1920 reached the stupendous aggregate of over 2,100 millions.

The Telegraph and Telephone. A similar tale of expansion, hardly dreamed of half a century ago, may be told of the telegraph. The first line had been laid down from Paddington to Slough in 1844. The cable across the English Channel to Calais was laid in 1851, and the first message passed over the Atlantic in 1865. Until 1869 all telegraph lines were owned and operated by private companies. In that year the Government purchased them, and established a State monopoly of the inland telegraph service. The number of messages sent in 1871 was just under ten millions, so that at the beginning of our period each person received on an average one telegram in three years. In 1900 the number of telegrams was about 93 millions, or three each per annum. In 1920 more than 100 million telegraphic messages were delivered. The earlier rate of increase has not been maintained during the last twenty years because of the competition of the telephone, which dates from 1876. The State monopoly of the telephone was established in 1901, when about three thousand telephones were in existence. In 1920 the number of telephone installations was rapidly approaching a million, and there were over 53 million trunk calls.

Wireless telegraphy was developed during the war years, and during the last three or four years wireless telephony has captured public interest. Broadcasting has provided the public with a new means of diversion, and we are only on the threshold of the possibilities of its application to the uses of education. But its commercial possibilities are equally great. It is the latest of those wonderful contrivances which have done so much to annihilate time and space, and to render the world a compact unit.

The Newspaper. The modern newspaper is a typical product of this age of rapid and cheap communication. It has developed with the spread of education, which has given to a larger number the power and the desire to acquire

knowledge, and with the progress of invention, which has provided the material equipment for the distribution of information. The press, on account of its usefulness in purveying up-to-date intelligence regarding the condition of markets and prices, and in consequence of its advertising value, has become a necessary adjunct to modern large-scale commercial enterprise. Newspaper advertising is a most effective method of stimulating the demand for manufactured goods, and its use has increased as modern transport has conquered the physical difficulties of distribution over a wide area. Wherever the newspaper can penetrate, so can also our manufactures. Transport, communication by post, telegraph and telephone, and the press are thus a closely-interlocked system—the foundation upon which all our modern industrial structures are erected. It is worthy of note that while some parts of the system are already State-controlled and State-owned, the press continues to be a privately-managed enterprise, controlling the State rather than being controlled by it.

CHAPTER IV

THE ORGANIZATION OF PRODUCTION

By 1870 Great Britain had become not only the workshop of the world but also its bank, its store, and its transporter. Her industries had grown out of the stage of the local economy of the eighteenth century, and of the national economy of the first half of the nineteenth, and were now organized on the basis of world commerce. Her rivals were still only entering the intermediate stage. The start she got was due to her inventive genius, to her possession of raw materials, particularly iron and coal, to advantages of geographical position and climate, and to her freedom from devastating wars. She had a long tradition of personal freedom which gave scope for the development of initiative and enterprise. Great Britain possessed a large number of skilled workers and specialized organizers who were prepared to take advantage of the favourable conditions. In the textile, metal, shipbuilding, and machine industries, especially when organized for foreign trade, the unit grew rapidly in size. The number of spindles per mill in the textile factories increased; everywhere the plant grew larger and more expensive; dockyards became more commodious. Every advantage was taken of the subdivision of processes and specialization of machinery and labour to increase output. The concentrative tendency showed itself in the enlargement of the business organization, and a larger proportion of the labour of the country was absorbed by the big business concerns.

Factory Organization. The census of 1871 clearly shows that the factory had already become the predominant form of organization in the textile and metal

trades. Of cotton operatives 88 per cent were employed in factories ; of woollen workers 78 per cent, and of metal workers 75 per cent. Progress towards factory organization in the clothing and leather trades followed later. By 1901, 90 per cent of the leather workers had gone into the factories. Tailoring and similar occupations still persist largely as domestic employments, but the growth of the ready-made clothing industry has absorbed a continually increasing proportion of the workers in these trades. Food manufacture has shown the same marked tendency towards mass organization. The home baking of bread, for example, has long ceased to be the rule, and the factory has relieved the housewife of many other tasks which half a century ago were undertaken as part of the daily routine in every household.

§ EXTENSION OF MARKETS

The concentrative force of machinery had already gone far to produce a larger industrial and business unit when the improvements in transport and communication enormously widened the market. At the same time national economic policy reinforced the efforts of our manufacturers to lay the foundations of a world commerce. In 1846 the adoption of Free Trade as the governing motive of our commercial policy, while it sealed the fate of British agriculture, definitely established Britain as an industrial country. Cheap food and cheap raw materials enabled our manufactures to be sold cheaply in the distant ends of the earth.

Trade follows the Flag. Our colonial possessions supplied us with our earliest markets outside Europe. These were excellent centres from which our commerce might spread. The extension of political control into commercially undeveloped lands was urged by our traders upon our somewhat reluctant statesmen. Exploration was

therefore usually followed by annexation and exploitation. In the 'sixties Sir Samuel Baker, David Livingstone, and Sir Henry M. Stanley opened out "Darkest Africa," and within a few years the whole continent had been parcelled out among the powers or staked off into "spheres of influence." New markets were developed as the colonies became settled. European emigration into the new lands of South America brought an enormous demand for railway equipment and agricultural machinery. At the same time China was forced to open additional "treaty ports," and our traders and engineers began the "westernization" of Japan. Disraeli, with great foresight, by the purchase of the Suez Canal shares in 1875, secured for Britain the control of a vital trade route to the East, and thereby also took the first step towards British domination in Egypt. Within a few years a number of chartered companies came into existence to develop trade with new territories, such as North Borneo, the Niger valley, East Africa, and South Africa. No doubt there were at work sometimes other motives than the search for markets and raw materials. The inspiration and the lofty purpose of a David Livingstone counted for a great deal, and often the leading stimulus was a humanitarian impulse which called for the protection and the civilizing of backward native populations. But too often the missionary, the teacher, and the doctor were followed by the trader, the speculator, and the railway builder, and usually the disintegration of simple village life, which invariably followed upon their coming, had deplorable social results.¹

Beginning of Foreign Competition. The early industrial developments in Great Britain proceeded undisturbed by much outside competition. When the era of mechanical

¹ Kerr, *Political Relations between Advanced and Backward Peoples*, Chapter V of *Introduction to the Study of International Relations*.

invention dawned, the British readily adapted themselves to the new conditions, and had created a powerful wealth-producing industrial system while European countries were still conservatively following the static methods of the self-sufficing village economy. But it was hardly to be expected that our industries should continue to enjoy this immunity. The same factors of improved transport and banking were at work also in other countries, and the period of world competition was inaugurated about 1870.

Our new competitors had the advantage of the experience we had gained (often at great cost to ourselves) and were able to avoid our initial mistakes. The battle for world trade, once joined, quickly became a bitter struggle. After the recovery of America from the ravages of the Civil War of 1861-65, and of France and Germany from the war of 1870-71, the contest became still fiercer. American, German, and French agents fought with British to effect an entrance for their products into Chinese or South American markets, negotiated with native chieftains for concessions that would ensure a constant supply of raw materials for their growing industries, or engaged in tariff and shipping wars to gain some advantage in home or foreign markets.

The countries of Europe and the United States of America, which hitherto had shown a disposition to lower their tariffs, encouraging British free traders to think that their ideal of universally open access to markets was about to be realized in fact, now altered the direction of their policy and began to re-build their fiscal walls against outside competitors. By this means they hoped to protect their industries and to organize them for trade war with Great Britain in the world markets. Cheapness being essential, the industrial unit was enlarged to a degree which made available the economies of centralized administration and specialized labour. This involved "dumping," or the

export of commodities below the cost of production—a paying proposition if thereby the unit of output could be fractionally cheapened and a new market invaded. The first symptom to excite alarm in England was the fall in the figures for export trade from 1875–1879. After a slight recovery which continued until 1884, the fall became still more pronounced, and the Government, although reluctant to acknowledge that the wisdom of our policy of free imports was being called into question, yielded to a strong agitation and appointed the Commission on Depression of Trade.

§ INDUSTRIAL COMBINATIONS

Both in Germany and in the United States of America the tendency to concentration had by the 'eighties proceeded much further than elsewhere. In the former the Kartell, in the latter the Trust, two distinct forms of industrial combination, had already been evolved, controlling output and prices, and organizing all their forces for commercial war on a carefully thought-out plan of campaign, their component parts yielding up their liberty of action in certain respects, and submitting to a system of strict internal discipline.

Industry in Great Britain was compelled to organize itself on similar lines. Hitherto, industrial combination had taken place but seldom, and then only for special local and temporary ends, such as agreements to resist wage demands. Where an undertaking was by its nature monopolistic, requiring the grant of special powers by the community, and the use of a large initial capital with the prospect of a distant return in the form of profits, combination proceeded easily. The first big monopolies are therefore found in the supply of gas, water, electric light, telegraphs and telephones, trams and railways, usually classed as "public utility" services. At first these were nearly all private enterprises carried on under private Acts of

Parliament or with the approval of local authorities under general Acts. The most rapid development of direct municipal management of gas supply took place in the 'seventies.¹ The Government bought out the private telegraph companies in 1869. The Tramways Act, passed in 1870, permitted of municipal ownership though not of municipal management. Birmingham municipalized its water supply in 1874. The success of such efforts pointed out to private enterprises the way of advance towards the establishment of trading monopolies. We have already seen how from about 1873 the railway companies sought to eliminate some kinds of competition by means of the monthly conferences.

The Trust Movement. From about 1888 the tendency towards combination became much more pronounced in manufacture and commerce. Beginning with informal working agreements between two or more industries contributing to the manufacture of a single article, these were often succeeded by formal contracts, and these in turn by pooling of capital and by permanent amalgamation. If the conditions of manufacture in any degree favoured centralization of control, competitive trading passed more or less rapidly and inevitably into monopoly. In 1896 the ThreadTrust was formed by Messrs. J. and J. P. Coates, Ltd., and in 1902 the Imperial Tobacco Company was established to fight the American Tobacco Trust, then beginning to penetrate into English markets. The same transition from private agreements for eliminating competition to actual fusion is seen in the history of ocean shipping. In the year 1900 earlier working agreements led to the final amalgamation of the Castle and Union lines, and of the Leyland, Wilson, and Furness lines, and to the purchase of the fleet of the British and African Steam Navigation Company by Elder, Dempster and Co. The same year

¹ Darwin, *Municipal Trade*, p. 10.

saw the amalgamation of the East and West India Docks, and the London and St. Katherine Docks.¹

Trade Alliances. Industrial combinations assumed many different forms, varying according to the extent to which individual firms were prepared to sacrifice their independence and their identity. Sometimes the co-operation and goodwill of the employees was secured by permitting them to share in the profits of monopoly. In 1893, under the lead of the metallic bedstead trade, the system of voluntary alliances of manufacturers and workmen was started in Birmingham. Members agreed to refrain from price cutting, to employ only members of trade unions (who were paid a bonus on current rates of wages and shared in the profits), and to submit all disputes to conciliation boards consisting of an equal number of employers and employed. War was made on "outside" firms whose competition was regarded as unfair, and they were driven out of the market by deliberate under-selling. The system was extended to the dyeing trade of the West Riding of Yorkshire in 1894, to the Bradford dyers in 1898, and to many other branches of these trades in England and Scotland during 1899 and 1900. A similar development took place in the main and ancillary textile industries. In 1899 the Calico Printers' Association was formed, controlling 85 per cent of the total output in Great Britain; and in 1900 the Bleachers' Association. Regulation of prices on a large scale in the coal, iron, steel, engineering, chemical, paper, cement, and quarrying trades dates from about 1897. There has been a distinct tendency to reduce the number of competitors to reasonable proportions, and to pool capital resources.

Multiple Trading. In retail trading a parallel development was going on. In the 'nineties many separate undertakings in private hands were grouped on the joint-stock

¹ Macrosty, *Trusts and the State*, p. 159.

principle. The control of greater capital made possible the organization of the big department store, a kind of "throw-back" to the type of the general village shop of an earlier day, with grocery on the right, drapery on the left, and ironmongery in the loft. To secure still more of the economic advantages of large scale operations many firms opened branches in London and numerous provincial towns and villages, to the detriment of small traders, who were frequently driven out of business. Sometimes owners were bought out, though the controlled shops continued to trade under the old name; in such cases, even though to outward appearance competition still went on, monopoly had really taken its place. The number of "tied" shops as of "tied" public-houses is still increasing, and there are, in fact, very few branches of trade which are still organized on a basis of unrestricted competition. In every direction association is the guiding principle. The only successful resistance has so far been offered by those trades which depend on their capacity to minister to individual taste.

Banking and Insurance. As with manufacture and retail trading, so with banking. While the number of branches continues to increase, and also the capital resources in the hands of bankers, the number of competing banks is being steadily reduced by fusion. In the thirty years previous to 1912 the number of separate banks had fallen from over 300 to about fifty, and was still falling at the rate of some seven a year.¹ The same process was going on in commercial insurance undertakings. Life, fire, and accident insurance companies were absorbed into fewer and larger units, manipulating a bigger capital and working on agreed rates.

Specialization of Labour and Scientific Management. In all these large business units the necessary operations

¹ Meredith, *Economic History of England* (Pitman), p. 277.

tend to become minutely subdivided, and labour in consequence highly specialized. The smallest economies of time and effort are multiplied so largely over numerous departments as to make the creation of a special class of skilled organizers not only possible but highly remunerative. The actual direction of industry and commerce in our day is in the hands of the "general manager," administering a policy decided upon in principle by a board of directors. The "owners," who are the shareholders, have in practice no control of internal organization, which is left to the administrative and technical experts. The specialization of function is thus carried a stage further. While the directors control the external relations of the firm and decide policy, the manager organizes the processes of production, so that the maximum benefit may be derived from the operation of the "law of increasing returns."

Scientific management took its rise in America, and thence spread into all countries where industrial units were sufficiently large to permit of extreme subdivision of mechanical processes and the further specialization of labour. Scientific management performs the same function for a factory as card-indexing does for an office. It systematizes and classifies; it records experience in a conveniently available form; it eliminates wasteful effort; it facilitates comparison so that a "standard best" is fixed for general emulation. By subjecting every mechanical process and every motion of the worker, his mental and physical qualities, every detail of his environment (temperature, lighting, atmosphere, nourishment, opportunities of rest and recreation) to a careful analysis with a view to eliminating fatigue and selecting "the right man for each job," the scientific manager increases output, makes possible higher profits and wages, and meets the competition of firms less highly organized.

Horizontal and Vertical Combination. Combinations may be effected either horizontally or vertically. Of the former kind are the bank amalgamations, the great distributing firms with multiple shops, and the coal combines. In these, the service rendered, the stage of manufacture, or the product is the same in every constituent part of the combine. Of the latter kind are those manufacturing firms which control the supply of raw materials, carry the process of manufacture through all its stages, and sometimes even retail the product. There has been a tendency for producing concerns to develop commercial functions and *vice versa*. A shipbuilding company frequently owns iron and coal mines, limestone quarries, blast furnaces, steel works, dockyards, railways. A newspaper may manufacture its own paper from the timber of its own Canadian forest. Another form of modern large scale organization (sometimes found in combination with the other forms mentioned) arises from the effort to turn the last scrap of waste material into a saleable product. Some soap manufacturers own palm groves in Africa and employ native labour in oil-crushing works. The oil is brought to England in their own tank steamers. They manufacture also candles and margarine, glycerine and face cream, boot polish and wax.

From the point of view of the promoters of combination the effect of vertical integration is to increase profits by the suppression of the middleman. There are no leakages at the intermediate stages. The profits are all kept within the business. Combinations of this kind usually represent a definite advance in industrial technique, for they shorten and straighten out the chain of processes and commercial functions between the getting of the raw material and the placing of the ultimate product in the hand of the consumer. Thereby the speculative element is eliminated, indirect costs are reduced, and the product cheapened. Regarded

from this standpoint, the enlargement of the business and industrial unit in a vertical direction may have an important social value. The danger to society more often arises from horizontal combination when it approaches to monopoly.

Trusts and the State. On the political side, the growing power of the Trust raises many problems. The influence of the Press upon public opinion is concentrated in the hands of a very few newspaper owners, who are the virtual dictators of the modern State. Those who control industries or financial corporations of international scope are able to exercise directly or indirectly an enormous amount of pressure on governments, and often determine the trend of national policy. But the reverse is also true. As the industrial and financial unit becomes larger, and its social significance greater, so does the necessity for public control become more urgent, and its possibilities wider. For, in proportion as business is centralized, administrative action in regard to it becomes easier and more economical. The State to-day makes every possible use of private organizations in promoting social ends. The administration of compulsory National Insurance, for example, has become one of the necessary costs of business organization. In time of war, the State has shown that it can by a stroke of the pen nationalize or assume the control of a vital social service, and eliminate private interest. Neither Pitt in 1800, nor Palmerston in 1860, could have done what Mr. Lloyd George, by administrative acts, did in 1916, because the way had not been prepared. The evolution of large-scale industry leads directly to collectivism.

The State has learned to defend itself against the dangers that are inherent in monopoly. Where services are essentially monopolistic it requires that those who undertake to supply them shall seek for special powers which, being granted under special Acts of Parliament, are carefully limited in scope. Such is the control which is exercised

by the State over waterworks, gas and electricity supply, railways, tramways, and docks. This control merges often into full public ownership and management, any profits being applied in relief of rates, or in reduction of charges. A third species of State control is exercised through taxation, as during the war years, when the owners of the agents of production, holding a virtual monopoly, were either subjected to legal limitations with regard to prices and profits, or were compelled to restore to the community a large part of the "quasi-rent" accruing from scarcity values.

§ AGRICULTURE

Agriculture in Great Britain from 1852-74 enjoyed great prosperity. Unusually good harvests, some improvements in methods (especially in regard to the use of new fertilizers, and drainage schemes), better transport, and a developing market in urban centres, with American competition delayed by the Civil War, and the chief countries in Europe occupied in a fierce struggle—all these factors contributed to swell the profits of British farming. But there was no progression in the method of business organization in any way comparable with that which we have described at work in manufacturing industry. Generally speaking, the enlargement of individual farms which was going on in the third quarter of the century did not give rise to those economies of large-scale management which so enormously increased the volume of manufactured output. The unit of capital was still that of the family, and the joint-stock organization seemed to be unsuitable for agriculture. The farmer was by disposition averse from association and co-operation, and there was little of that horizontal or vertical enlargement of the business unit which had produced in industry a complicated network of mutually dependent parts. He bought and sold in the

local markets ; his operations were limited by the extent of his personal capital ; he kept no systematic accounts.

Scientific methods were applied slowly and reluctantly, and tradition in the main determined routine. Manual labour continued to be wastefully employed where machinery might have set it free for superior work. There was little specialization of function, little technical training, and a low standard of efficiency. Intelligence and initiative in the workers were not sought for. The farmer was his own general manager, and it was well that a personal relationship should be possible ; yet the gulf which separated him from his labourers was not to be bridged. The farm-worker was propertyless ; he owned no tools ; he occupied a tied cottage ; he was preferred if he were illiterate ; and he had neither the leisure, nor the intelligence, nor the companionship, nor the spare pence which would have enabled him to seek an outlet from the hopelessness of his situation by means of association with his fellows.

The growth of urban populations, with an improved standard of consumption, was giving rise in the 'seventies to an enormous demand for milk and dairy produce, vegetables, and fruit. But our farms continued to apply themselves to the production of the great staples—wheat, beef, mutton, and wool. When the competition of wheat from the United States and Canada, chilled beef and frozen mutton from Australia, and all these from the Argentine, brought down the prices, British farmers found themselves totally unable to meet the situation. Not one of the great requisites of production—land, labour, capital, and business management—was properly organized to cope with it. In respect to each of them there was lacking that intensive application which would have produced the best results. While industry had learned the importance of local concentration and high specialization in limited areas, agriculture was reluctant to sacrifice the social amenities and

the large spaciousness of mixed farming in the hunting counties. While manufacturing industry was developing the economies of highly-paid labour, the shorter working day, minute subdivision of processes, and a "ladder" for enterprise, efficiency, and intelligence, agriculture still wasted its human material, failed to provide a living wage, and suffered a progressive deterioration by the exodus of its best workers. The massing of industrial capital in joint-stock enterprises made possible its intensive application to production by means of expensive labour-saving machinery, constantly scrapped and replaced by more up-to-date appliances. The insistent demand of shareholders for dividends compelled the controllers of borrowed capital to watch ceaselessly for the most remunerative applications of it; tradition counted for nought, and progress became the condition of survival. The watchword was "get on or get under." In agriculture, on the other hand, capital was applied only in small doses, and yielded relatively and on an average a low rate of interest.

The conservatism which looked askance at new processes, and was averse to the introduction of new appliances, arose from many causes. It resulted partly from the absence of scientific training. It had its roots in the rigid social conventions of the countryside. The question had also a political aspect. It was feared that industrialism on the farms would tend to destroy the aristocratic bulwarks of the landed interest, and let in the flood of democracy. There was also the economic fact that the farm was too small, as a rule, to keep the machinery and the skilled labour required for its control sufficiently occupied to be remunerative. The 300-acre mixed farm was not large enough to call for the trained expert. As it was, too much of the farmer's own time was occupied with matters which might have been delegated to an intermediate class of salaried farm-managers if the units had been large enough.

to give scope for their employment. On the whole, caution was justified on the ground that the future of agriculture in Britain was shrouded in uncertainty, and the risk of large capital expenditure was great. The farmer could not afford to possess many wasting assets. He therefore took no risks, but invested his surplus capital in Consols, and looked anxiously out on the weather.

Foreign Competition. British farming provides an example of arrested development. Until about 1875 the tendencies were generally hopeful. Free Trade had, in the first thirty years, given to agriculture a much-needed stimulus, and on the whole it kept pace with the demand of the industrial workers for cheapness and plenty. In the early stages, foreign competition had been successfully met by "high farming." A more extensive use of agricultural machinery and artificial manures for a time increased profits, while fixed charges, such as rent and interest, became less burdensome as the value of currency depreciated under the influence of the gold discoveries.¹ But when the full force of American competition began to be felt, the weaknesses of British methods of farming became apparent. The area of arable cultivation reached its maximum of nearly 14 million acres in 1872. By 1914 it had fallen to less than 10½ million acres. In the four years 1867-70 the average annual area under wheat was 3,837,000 acres. In 1906-1911 it was 1,700,000. While the population had increased 30 per cent, the area devoted to the production of its staple food had fallen 54 per cent. The deficiency was made up by imported supplies.

¹ It has been pointed out (Meredith, *Economic History of England*, p. 344) that it is fallacious to measure the expansion in trade after the establishment of Free Trade by trade statistics based on sterling values only. Much of the apparent expansion is due to inflation, and the real progress is less than appears on the surface. Similarly, from 1873 to 1897, when the general trend of prices was downward, the expansion in trade continued more steadily than the figures of import and export values suggest.

A similar change, though not so pronounced, is to be traced in the figures for barley, oats, and potatoes. Meanwhile there was an increase of 21 per cent in pasture land, and the censuses of live stock and dairy products also showed a small increase; such increases were, however, by no means proportionate to the growth of population, and to the improvement in the quality of demand.

Dependence on Imported Food Supplies. While enough wheat was grown in the United Kingdom in 1841-5 to feed nine-tenths of the population, home-grown wheat in 1906 fed only one-tenth.¹ The increased grass-land yielded only 5 per cent more meat, while average consumption has multiplied itself. The proportion of the population dependent on food imported from abroad has steadily grown, and it was estimated at the beginning of the Great War that the quantity of food in this country at any given moment averaged a six weeks' supply.

TABLE OF HOME PRODUCTION AND IMPORTS OF WHEAT²
AVERAGE ANNUAL QUANTITIES IN MILLION QUARTERS.

| | <i>Home produced.</i> | <i>Imported.</i> |
|---------------|-------------------------|------------------|
| 1870-1883 . . | (Figures not available) | 14.0 |
| 1884-1890 . . | 9.4 | 17.9 |
| 1891-1900 . . | 7.4 | 22.4 |
| 1901-1910 . . | 6.8 | 26.3 |
| 1910-1914 . . | 7.5 | 27.7 |

The two most acute periods of agricultural decline in a long-continued and scarcely interrupted process covered the years 1875 to 1884 and 1891 to 1899. In the earlier period "the collapse of British trade checked the growth of the consuming power at home at the same time as a series of inclement seasons, followed by an overwhelming increase of foreign competition, paralysed

¹ Ogg, *Economic Development of Modern Europe*, p. 163.

² Compiled from Statistical Abstracts for the United Kingdom.

the efforts of farmers. For three years in succession, bleak springs and rainy summers produced short cereal crops of inferior quality, mildew in wheat, mould in hops, blight in other crops, disease in cattle, rot in sheep, throwing heavy lands into foul condition, deteriorating the finer grasses of pastures. In 1875-6 the increasing volume of imports prevented prices from rising to compensate for deficiencies in the yield of corn. The telegraph, steam carriage by sea and land, and low freights, consequent on declining trade, annihilated time and distance, destroyed the natural monopoly of proximity, and enabled the world to compete with English producers in the home markets on equal, if not on more favourable terms. Instead of there being one harvest every year, there was now a harvest in every month of each year.”¹

The Royal Commission on Agriculture (1879-82) realized that the depression was no passing phase, but marked a permanent change demanding drastic readjustments of the relations between landlords, tenants, and labourers. Rents fell £5,750,000 between 1880 and 1884, and it was stated in evidence before the Royal Commission on Depression of Trade in 1886 that the yearly income of those who derived rent, profit, and wages from agriculture had declined in ten years by £42,800,000.² Another estimate states that during this period of decline about one-third of the capital invested in agriculture was lost.

The second period of acute depression, which commenced in 1891, found the resources of the farmers already exhausted, the land starved, and the rural population sadly deteriorated. Emigration to the towns and overseas had robbed the countryside of its best human elements, and left only the aged, the decrepit, the less intelligent, and the more helpless. A number of measures was passed by

¹ Prothero, *English Farming Past and Present*, p. 376.

² *Ibid.*, pp. 377-8.

Parliament to deal with some aspects of the situation : the Sale of Food and Drugs Act (1899), the Market Gardeners' Compensation Act (1895), the Contagious Diseases of Animals Act (1896), and the Agricultural Rates Act (1896). But these were no more than palliatives, and left the main question untouched.

Allotments and Small Holdings. The tendency was for the farmers to look to the State for protection rather than to organize themselves to meet the new conditions on commercial and industrial lines. On social grounds, the physical well-being of the nation demanded a vigorous rural population ; on economic grounds, the organization of the large, privately-managed farm was wasteful of natural resources ; and on political grounds it was felt that production ought to be increased in the cause of national security. Public opinion, therefore, called for legislation which would encourage a more intensive use of the land, and reverse the trend of development. The remedy for under-cultivation and under-population was seen to be in the direction of smaller holdings. A Departmental Committee in 1885 reported in favour of an allotment system for labourers. In 1886 Mr. Jesse Collins carried the famous "Three Acres and a Cow" amendment to the Address in reply to the Queen's Speech.

It was clear from the outset that only by legislative compulsion could small holdings be provided, for landlords and farmers were strongly opposed to breaking up the big farms or having choice corners sliced off for the benefit of small cultivators who might prove to be undesirable neighbours. Moreover, there were no houses, and since agricultural wages were so low, it was impossible to build them at economic rents. There were other difficulties—the selection of the right type of small-holder, the question of transport, the provision of capital. The agitation,

nevertheless, continued and would have been successful much earlier had it not been for the reactionary spirit of the period of the Boer War. In 1907 the Small Holdings Act was passed. It provided that the County Councils should by negotiation or by compulsory purchase acquire land for re-sale or letting on lease to suitable tenants. Small Holdings Commissions were appointed to stimulate reluctant County Councils to fulfil this obligation. Up to the period of the Great War some 12,000 small holdings had been established on an area of 180,000 acres, a disappointing result. Less than 3 per cent of the labourers applied for land under the terms of the Act, in some areas less than one per thousand.¹

§ CREDIT AND BANKING

We have seen that the growth of transport facilities in the middle years of the nineteenth century was the principal factor in the development of large-scale industry. A second and no less necessary condition was the development of adequate credit facilities; for the extension of the market from local to national, and then to world dimensions, could only proceed as fast as the machinery of banking and credit was set up to provide the capital and to facilitate exchange in large and complicated operations. Before the Industrial Revolution the modest capital of the typical domestic craftsman required no elaborate organization for its manipulation, because his relation with his customers was direct and personal. Many of the larger engineering achievements of the age of invention were financed by individuals; for example, the canal from Manchester to Worsley built by Brindley in 1761 for the Earl of Bridgewater.

The Aggregation of Capital. As factory industry developed, larger capital was at first provided from the

¹ Ashley, Rural Problems, in *The Industrial Outlook*, ed. Furniss.

pooled resources of partners. The market became larger, and distributing services were organized to create the link between the manufacturer and the distant and unknown consumer. As the intermediate steps became more numerous, and the price paid for the article had to be divided up in payment for a larger number of distant services, involving, moreover, a period of waiting until the forward movement (goods) and the return movement (payment) were completed, a more complicated machinery of finance was required. Universal banking facilities and convenient credit instruments had to be created to lubricate the wheels of commerce. On the one hand the desire of the manufacturers to reap the advantages of the economy of large scale production in a market which was growing as rapidly as roads, canals, railways and steamships were constructed and improved, and on the other hand the search for avenues of investment by those who had saved small sums of money, produced the joint-stock bank or the joint-stock manufacturing or trading company. By concentrating the resources of numerous small capitalists—small, that is to say, in proportion to what was required for production on an extended scale—vast sums could be sunk in long-dated enterprises, and risks could be shared. There was a tendency for joint-stock banks to absorb private banks, and themselves to be grouped into larger and larger units corresponding to the expansion of the business unit as the joint-stock manufacturers and traders either crushed out their weaker rivals or amalgamated with the stronger ones.

Limited Liability. The way was made easy for this aggregation of small capital sums by the device of "limited liability" sanctioned by the Companies Act of 1862. The necessity for a change in the law regulating companies arose when the railways were calling for capital in the 'forties. Hitherto, in the event of failure the holders of

shares were individually and severally responsible for the total liabilities of the firm. By the new Act, limited liability companies could be formed in which the loss of each was limited to the amount of his personal holding. On this basis there was a tremendous increase in joint-stock investments.

The limitations of joint-stock enterprise indicated by Adam Smith were soon exceeded. "The only trades," he said, "which it seems possible for a joint-stock company to carry on successfully without an exclusive privilege, are those of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method as admits of little or no variation. Of this kind is, first, the banking trade; secondly, the trade of insurance from fire and from sea-risk and capture in time of war; thirdly, the trade of making and maintaining a navigable cut or canal; and fourthly, the similar trade of bringing water for the supply of a great city."¹ Contrary to this anticipation, the joint-stock principle proved to be almost universally applicable, and to-day even our football clubs are owned by shareholders with limited liability.

§ INTERNATIONAL CREDIT

Credit and Crises. The growth of foreign trade and international competition was accompanied by, and depended on, the organization of international credit. The large profits of industry in the middle years of the century were finding a more remunerative field for investment in the infant industries and virgin soil of the newly commercialized countries than in the older fields of Europe. Large sums were invested in South American railways which came back to England in payment for rails and

¹ Adam Smith, *Wealth of Nations*, quoted by Hobson, *Evolution of Modern Capitalism*, p. 63.

rolling stock. In 1870 we exported goods to the value of £199,000,000 and imported goods to the value of £303,000,000. The difference represents the interest on our capital invested abroad and payment for the services of our ships, our engineers, and our organizers. Finance was passing from the national to the international stage. The most costly enterprises could be undertaken when the financial resources of many countries could be drawn upon. At the same time the risks were still more widely distributed. Credit knew no frontiers, and flowed out quickly and rapidly in response to demand, wherever a good return was assured. The money market became more sensitive, and rumours of war were hardly more disturbing to its delicate adjustments than the prediction of a poor cotton crop.

The vast majority of modern industrial undertakings are financed by borrowed capital, and so intricate are the financial arrangements which regulate their operations that the whole business world is subject to recurrent crises, which involve the owners of capital in heavy losses, and may spell for the workers widespread unemployment, deprivation, and misery. For as the industrial units become larger, their operations wider, and their inter-connections more complicated, a shock to one centre is instantaneously transmitted to the remotest circumference, and wave upon wave of disturbance is set up over the whole world, reaching even to parts of industrial society little suspected of bearing any relation to one another.

All this vast organization of world commerce presupposes an efficient transport system by land and sea, means of rapid communication through the post, the telegraph and the telephone, and a highly developed organization of banking and credit. It implies, moreover, a high standard of commercial integrity in the business community of all nations, the existence of good faith in governments, and

a widely diffused sense of the inviolability of contracts. It is built up on the basis of international and industrial peace. Wisely directed, commerce and industry can minister to beneficent purposes for the whole human race ; unwisely, as in some of their earlier unregulated forms, they may degrade whole peoples by exploiting their labour or by trafficking in harmful goods. It was the growing recognition of this fact in the 'seventies which called for the intervention of the State, and produced in a short time a vast code of commercial and industrial regulation, constantly expanding and penetrating, and reacting profoundly on our conception of the State itself.

CHAPTER V

TRADE POLICY

THE responsibility for the defence of Free Trade after the death of Richard Cobden (in 1865) was undertaken by the Cobden Club, which sounded a call to arms whenever the position was assailed. But although on the whole the ground has been maintained, the lines of defence have been changed. The early Free Traders looked forward to an era of universal freedom from artificial restraints on trade, and believed that prosperity would follow from a general liberty to buy in the cheapest market and to sell in the dearest. The day of peace and plenty would dawn when every nation threw down the tariff-barriers, and national economy changed to cosmopolitan. It was regarded as Great Britain's mission and interest to convert the other nations to Free Trade, and to enter into commercial treaty arrangements. To-day the trend of the argument is to the effect that this country derives an advantage from the very fact that she stands alone, and that her ports are open to the world, while those of every other nation are closed.

The Repudiation of the Treaties. Down to 1876 the tendency had been in the direction of reduced tariffs, and the anticipation of the Cobdenites seemed to be justified by the facts. But as the time approached for the renewal or expiration of several important treaties the European States reconsidered their attitude. Italy and Austria in 1875, and France in 1879, gave notice of their intention to withdraw. The lapse of the French treaty "was of special importance and significance, since on it was built the whole fabric of the liberal and moderately protective

policy of Europe during the 'sixties, and with it that policy stood and fell. No sooner was one mesh in the net of treaties torn than the whole gave way at once."¹ England could get no better terms than "most favoured nation"² treatment from year to year. The French import duties on cotton and wool were raised in 1881 from 20 per cent to 44 per cent. The reason for the change lay in the fact that treaty bargains could only be concluded when both sides had the power of making concessions. England had deliberately sacrificed this power and, except for the treaties with Portugal (1882) and Spain (1885), renewal of earlier treaties with European countries was secured only on less favourable terms. In England there ensued in consequence, even among Free Traders, a reaction against treaty arrangements, and the dominance of the cosmopolitan, pacific ideals of Cobden was shaken. In the state of Europe at the close of the century there was little to encourage the hope of international peace based on free international markets.

Free Trade and Laissez-faire. The earlier Free Traders of the "Manchester" school adopted the logically consistent attitude that contract as well as commerce should be free from hampering restriction. John Bright and Richard Cobden were individualists to the core, and opposed factory legislation and protective tariffs on precisely similar grounds. Here, too, facts proved too strong for the Liberals, and forced a change of ground. The modern Free Trader, even while he rejects any interference with the natural flow of commerce, may be, and

¹ Fuchs, *The Trade Policy of Great Britain*, p. 51.

² The Most Favoured Nation Clause in international treaties "binds each of the contracting powers to give to the other in certain matters the same treatment which it gives or may hereafter give to the nation which receives from it the most favourable terms in respect of those matters."—Palgrave, *Dictionary of Political Economy*, II, 826.

usually is, a stout advocate of State intervention in some departments of national life, such as factory and housing conditions. The social awakening of the 'eighties compelled him to acknowledge that freedom of contract between employer and workman under modern conditions of industry was illusory, and that no wage bargain could be conducted on terms of equal freedom to give or to withhold until the State had stepped in to redress the balance of economic advantage. This he attempted to do by supporting measures of social reform, such as education, and Acts of Parliament permitting combination among workers, prescribing conditions of employment, prohibiting truck, and regulating the labour of those who were least capable of defence. Herein is to be found the explanation of the apparently inconsistent attitude of the modern Free Trader who is zealous in social reform. For freedom in the abstract he has substituted a more practical conception of freedom having reference to the concrete facts of industrial life. The liberation he would give the worker is from the restraints placed upon his mind and spirit by ignorance, isolation, and the looming shadow of destitution. His advocacy of unrestricted commerce rests upon a belief that this policy means cheapness and plenty for the consumer, and a mitigation of the hardships of life for all. Therein lies the final reconciliation of the articles of a creed which at the same time abhors and petitions the interference of State.

Modifications of Free Trade Doctrine. Further, there has been a noticeable tendency on the part of the Free Traders to withdraw from their early doctrinaire attitude and to accept, without necessarily departing from the general principle, certain expedients which for the moment have, for one reason or another, a higher value than mere consistency. While in general the policy of free imports benefited the consumers of food and raw materials, it became

necessary in the interests of certain forms of production (e.g. the "key" industries) to look after the producer. Our shipping industry was equally vital, and, to meet the competition of state-subsidized foreign steamships after 1880, Britain was compelled, notwithstanding the orthodox Free Traders, to adopt the policy of subsidies. In 1897 West Indian lines were aided, and an indirect benefit thereby bestowed upon the sugar planters. About the same time an American combine, called the Atlantic Shipping Trust, threatened to swallow up 20 per cent of our total foreign trade by acquiring our Western shipping lines. Hitherto, the British Government had subsidized shipping for postal and Admiralty purposes only; it was now compelled to conclude the Cunard agreement, in order to ensure British control of the ships of the White Star line.

The Bounty System. In regard to the sugar bounties there was a similar departure from Free Trade rectitude. To stimulate the newly-established industry of producing beet sugar, foreign governments were giving bounties to growers. The import duty on sugar to England having been abolished in 1874, consumers enjoyed the benefit of cheap sugar. But at the same time the West Indian planters of sugar cane were being ruined by the competition of beet-sugar growers, and with them the British sugar-refiners. From 1862 to 1896 attempts were unsuccessfully made to get the bounties abolished by international agreement. Having failed in this endeavour the Government in 1902 proposed to make a grant of a quarter of a million sterling in aid of the cane-sugar industry in the West Indies. The grant was opposed by orthodox Free Traders on the ground that it was made to bolster up a declining industry, and not as an act of grace to relieve a suffering people. But the proposal, notwithstanding the dangers of the principle it involved, was sanctioned.

Our Colonial Empire. Finally, the Free Trade attitude

to the Colonies has undergone a change. Originally regarded as a "millstone round our necks," described by Liberal statesmen of the mid-century as "one of the most idle and ill-contrived systems that ever disgraced a nation," and "a costly encumbrance," the early Free Traders would have willingly cut them adrift. Since that time the wonderful evolution of the Colonies into self-governing States of almost equal status with the Mother Country has brought about a profound change in their commercial and political relations. As the colonies became the homes of millions of our people, and distance and time were gradually annihilated by speedier transport and communication, abandonment was inconceivable. On the contrary, many sought to bind the parts of the Empire closer by bonds of commercial interest. The Imperial Federation League attempted to achieve this through a closer political union.

In consequence of this change of attitude, the "Empire" is no longer conceived as embodying the relation of mother and daughters, but rather as a sisterhood of free commonwealths. The last vestiges of dependence have by now disappeared, and the Prime Ministers of our Dominions beyond the seas (no longer termed "colonies") meet regularly and on equal terms with our own in Imperial Conferences. Each Dominion is mistress of her own destiny, determines her own commercial policy in furtherance of the interests of her own people, and strives to the attainment of her own ideal of nationhood, while still continuing to form a part of the Commonwealth of Nations which we know as the British Empire.

§ **TARIFF REFORM**

While the supporters of Free Trade have thus shown a willingness in face of practical necessity or accomplished fact to reconstruct the lines of their defence, they have

from time to time had to meet frontal attacks on their central position from the advocates of protective duties. Such attacks have been launched in times of trade depression, when the facts of the moment seemed to lend less support to the claims of the Free Traders. In each of the six lean years, 1879, 1886, 1894, 1903, 1911, and 1922, the cry of Protection has been heard in the land. It has gone forth in many guises which are free from the damaging associations of the "Hungry 'Forties," and make appeal to a certain instinct for "fair play" in the nation. "Reciprocity," "Fair Trade," "Retaliation," "Countervailing Duties," "Colonial Preference," have been proposed as devices for "taxing the foreigner," "cementing the bonds of Empire," and "keeping the home fires burning."

The Balance of Trade. In the 'seventies alarm began to be felt because of the "unfavourable balance of trade." The excess of imports over exports was steadily mounting. In 1870 imports exceeded exports by about £103,000,000. In 1880 the excess was £188,000,000.¹ Superficially, it appeared that England was being drained of treasure in payment for commodities which might have been produced at home. Manufacturers in this country were just beginning to feel the effects of the competition of the post-war industrial revival in Germany, France, and U.S.A.

Agricultural Depression. In the 'eighties the severe agricultural depression due to the large imports of grain from the United States and India provided the occasion for the re-examination of the foundations of our policy. While in 1872 the total imports of wheat grain from the United States were less than 9,000,000 cwt., the total in 1882 was over 35,000,000 cwt. From India, in the same period, the quantity grew from 156,000 cwt. to 8,000,000 cwt. The reaction against Free Trade which originated among the manufacturers was now reinforced

¹ *Thirteenth Statistical Abstract*, cd. 3663, p. 33.

by the protests of the agricultural interests. Gladstone maintained as long as possible a purely negative attitude towards trade questions. In 1884, fearing to give an impression that our Free Trade policy was yielding ground, he refused a strong request for a Royal Commission. Two years later the Majority Report of the Royal Commission on Trade Depression, although it recognized in foreign tariffs the chief cause of the unsatisfactory condition of industry in Britain, yet held fast to the principle of open ports. The Minority Report favoured the Fair Trade¹ policy, which had been definitely rejected in the General Election of 1885.

Foreign Competition. There was in the closing years of the nineteenth century an enormous development of international trade competition. In many departments of production and foreign trade we had irretrievably lost the practical monopoly we had once enjoyed, and had fallen to the position of *primus inter pares*. In other branches we had actually yielded first place to the United States or to Germany. The rapid growth of population in these countries, and the development of their greater natural resources, made it inevitable that they should in time successfully challenge our priority. But the facts as revealed by the trade returns were none the less disquieting, and the pessimists confidently pointed out the symptoms of Great Britain's decline. A section of the Conservative party continued to hope for the re-establishment of a system of protective tariffs, but more was heard during these years of the policy of Imperial Preference which Lord Randolph Churchill had first advocated in 1886.

¹ "Fair Trade" is defined as follows: "The Fair Trade principle demands free trade in the relations between home and foreign industries, where such free trade is mutual, i.e. adopted also by the foreign country; when, however, the latter imposes protective duties, or grants bounties, corresponding duties may be raised in the home country, to counterbalance the advantage which the foreign producer thereby enjoys."—Fuchs, *Trade Policy of Great Britain*, p. 191.

First Colonial Conference. On the occasion of the Jubilee celebrations of 1887 the first Colonial Conference was held, and although the main discussions related to questions of Imperial Defence, and postal and telegraph facilities (Mr. Henniker Heaton advocating an Imperial Penny Post), the possibility of fiscal changes which would advantage both the United Kingdom and the Colonies was also debated. It was argued that a system of tariffs on imports, if adopted at home, could be modified in favour of colonial produce. Thereby trade within the Empire would be stimulated, and the sentimental link which bound the parts together would be strengthened by the tie of material advantage. The weakness of the plan, which was strongly supported by the Canadian representatives, lay in the fact that it involved duties on food-stuffs, and would certainly not find favour with the British electorate in the industrial centres.

Second Colonial Conference. The appointment of Joseph Chamberlain as Colonial Secretary in 1896, known to be in favour of an Imperial *Zollverein*, or customs union on the German model, encouraged the hopes of those who favoured this departure from Free Trade principles, and at the second Colonial Conference, which met in London to celebrate the Diamond Jubilee in 1897, the policy of preferences within the Empire was worked out more fully. A serious obstacle was presented by existing treaties with Germany and Belgium which entitled them to share with the United Kingdom any most-favoured treatment. Discussions took place on the possibility of an Imperial Federal Council, alien immigration, an Imperial penny postage, interchange of military units, investment of trust funds in Colonial stock, and numerous other matters. But the immediate results were few, and a solution of the fundamental problem of preferential tariffs seemed to be as far off as ever.

Third Colonial Conference. A third Conference of Colonial Premiers was arranged on the occasion of the coronation of King Edward VII in 1902. There was much popular enthusiasm for the part which colonial regiments (e.g. the Imperial Yeomanry) had played in the South African War. It was admitted that if the colonies were to share the burdens of Empire, they should be allowed to share the duties and responsibilities as well, and to have a voice in determining policy. On the question of Imperial Preference, it was agreed that Free Trade within the Empire was the ideal to be aimed at, even though it were not immediately practicable. Meanwhile, the colonies offered preferential treatment to the manufacturers of the United Kingdom, and urged the home Government to adopt a policy of protective duties that would enable it to give a corresponding preference to the raw materials and food products imported from the colonies.

Tariff Reform Campaign. Until this time discussion had moved on an academic plane. But on the return of Joseph Chamberlain from South Africa in May, 1903, it entered the practical stage. He immediately proclaimed the policy of preferential tariffs within the Empire. The call to the nation was startling in its suddenness, and at once awakened the political parties into feverish activity. Although the scheme, as it was at first outlined, contemplated only a Customs Union with the colonies, on the lines of the tariff agreements between constituent parts of Germany and of the United States, the full-blooded Protectionists quickly fell into line with their demand for retaliation against countries which had erected tariff walls against our manufactures. The Tariff Reform League sprang into existence, and was confronted by the Free Trade Union. The former held out an ideal for the Empire, coupled with the promise of shelter in the home markets

and "work for all." The latter pointed out the iniquity of taxes on food, which would add to the burdens of poverty, diminish the size of the loaf, and lead to corruption and bribery among the big industrial interests which would endeavour to manipulate the tariffs for their selfish ends.

A reconstruction of the Cabinet, due to differences on the tariff issue, left Mr. Chamberlain free to devote himself to a public campaign, which he opened at Glasgow in September. By this time he had accepted the full programme of the Tariff Reform League "to consolidate and develop the resources of the Empire, and to defend the industries of the United Kingdom." But the Unionist party was split from top to bottom, and the political tide set strongly in favour of the Liberals. The latter proposed to assuage present industrial discontent by means of the alternative of a vigorous domestic policy. They looked to social reform to safeguard the interests of the workers, and sought to protect them from a depression of their customary standards by means of sickness and unemployment insurance, State regulation of wages and hours of labour, and remission of taxation on food. This was the policy which won the day in the election of 1906, and was carried into effect by the legislation of the next six years. The Liberals rode into power after an almost unbroken spell of twenty years in opposition. Tariff Reform fell into the background, and did not emerge again as a living issue until Mr. Stanley Baldwin's espousal of the Protectionist cause towards the close of 1923.

The War was not without its reaction on our fiscal policy. It had become clear that certain manufactures and processes must be regarded as "key" industries, absolutely necessary for national defence and, indeed, for our very existence in time of war. Early in 1915 the list of imports subject to duty was extended to include cinema films, watches and clocks, motor cars, and musical instruments.

These came to be known as the "McKenna Duties." In so far as the duties ($33\frac{1}{3}$ per cent *ad valorem*) were intended to produce revenue rather than to afford protection to our own industries, it was possible to defend them without sacrifice of the fundamental principles of Free Trade. Nevertheless the measure imposing them was attacked by the strict school of Free Traders as a concession to the Protectionists, and a dangerous precedent. Until 1924 the duties were reimposed by the annual Budget resolutions, but in that year they were allowed to lapse.

The committee appointed by the Government to report on Commercial and Industrial Policy after the War published its recommendations in 1918. Once again the policy of a general tariff was rejected, notwithstanding the recognition of its possible use in driving bargains with other countries for concessions. The principle of revenue-raising from duties on manufactured imports was also condemned. At the same time the report urged that protection should be afforded to those industries that were suffering from the attempts which foreign manufacturers were making to capture our markets by "dumping." Such protection was especially demanded for "key" or "pivotal" industries.

The recommendations of the Committee were taken as the basis for the Safeguarding of Industries Act of 1921, a schedule of which contained a list of some 3,000 articles which were to be subject to an *ad valorem* duty of $33\frac{1}{3}$ per cent. The articles were selected with reference to their character as vital to the successful prosecution of a modern war, or essential for the carrying on of staple national industries. Considerable powers were conferred upon the Board of Trade, which was charged with the duty of taking measures to protect home industries against the unfair competition of foreign goods sold at abnormally low prices on account of the disparity of the exchanges.

CHAPTER VI

TRADE CYCLES AND UNEMPLOYMENT

No fact in industrial history is better established by common experience, and confirmed by statistical records, than the existence of an ebb and flow in trade and commerce, and since Professor Jevons put forward the theory that the fluctuations were related to certain climatic disturbances caused by the periodical appearance of sun-spots, much discussion has taken place regarding their true causes. Nothing would contribute more to national welfare than a full understanding of the factors which produce this alternation of activity and stagnation. Ignorance produces an attitude of hopeless fatalism. Fuller knowledge of the root causes of abnormal states of industrial health might enable a forewarned nation to be forearmed. Some of the symptoms are recognized, but this is not sufficient. "The causes of this fluctuation are obscure, but beyond question, deeply seated," says Sir W. H. Beveridge. "They are at work in all industrial countries. They must spring from one or more of the fundamental facts of modern life. They probably cannot be eliminated without an entire reconstruction of the industrial order. They certainly will not be eliminated within the next few decades. Within the range of practical politics no cure for industrial fluctuation can be hoped for; the aim must be palliation."¹

§ INDUSTRIAL FLUCTUATIONS

Students of trade fluctuations usually emphasize one of three factors which are commonly found operating jointly to produce abnormal states of industry. Firstly, there is the factor of expanding or contracting currency and credit. An increased quantity of circulating money and credit

¹ Beveridge, *Unemployment*, p. 67.

instruments stimulates the demand for commodities, raises prices, and promotes further production while the rate of profit is high. A contraction of currency and credit diminishes purchasing power, depresses the price level, and checks production. Secondly, there is the industrial factor. A new labour-saving invention or process, or any other influence which appreciably accelerates production, may produce a glut of commodities which chokes up the channels of trade. Until the surplus has been absorbed by consumers (usually at lowered prices), production must halt or slacken pace. Associated with each of these aspects of the question there is the psychological factor. "Hope springs eternal in the human breast," and is as surely succeeded by intervals of despair. A confident anticipation of price tendencies and volume of demand encourages new and enlarged undertakings up to a point when optimism gives place to caution, to doubt, to settled depression, and possibly to panic. According to this interpretation of cyclical fluctuations, they are a necessary consequence of the laws of human life, wherein action and reaction succeed one another in rhythmical movement like heart-beats, or may be compared to the procession of the seasons, wherein a time of rest and recuperation of natural forces is ordained to follow the generous bounty of spring-time and harvest. There is yet another view which lays stress on the fact that production is carried on to-day in anticipation of demand. The possibility of human error, coupled with the lack of organization for correctly estimating human requirements in the perhaps distant future, the vagaries of taste and fashion, and the continual discovery of "substitutes," all make the problem of correct anticipation in the highest degree speculative.¹

¹ For a brief, but illuminating, discussion of the chief theories advanced to account for industrial fluctuations, the reader is referred to Beveridge, *Unemployment*, pp. 54-67.

The outstanding facts regarding industrial fluctuation during the last half century can be ascertained from an examination of the charts in the appendix and of the statistical tables on which they are based.¹ The social consequences of these fluctuating movements are set forth in a similar way. The rhythmical, wave-like rise and fall of the curves suggests the terminology used as a rule in discussing changes in the state of trade. We speak of "crests" and "troughs," "wave-lengths" and "slopes," and the word "fluctuations" originates in the same metaphor. A superficial glance reveals a remarkable congruence in the several graphs. The crests and the troughs are found roughly to correspond in time, and the wave-lengths are approximately equal. The parallelism is to be observed not only in the graphs indicating changes in trade statistics, but is equally pronounced in those which represent fluctuations in social conditions and modifications of social habits.

It is obvious that there must be some causal relation between the facts so indicated, and where there are striking departures from uniformity in tendency, there is usually some interesting explanation which a little thought will discover. The remarkable similarity of the curves is a proof of the organic relation which exists between the various forms of activity making up the economic life of the nation. The marriage rate, and the extent of indoor pauperism, the consumption of alcohol and tobacco, the number of convictions for indictable offences, the passenger traffic on railways, the percentage of trade union unemployment, the index number of wages, all show a distinct connection with the fluctuations of foreign trade and the Bank of England discount rate. The explanation is not far to seek. Social habits rest ultimately on material conditions. The standard of living is determined by the

¹ See Appendices IV and V.

cost of living, which is a quotient of wages and prices. The changing bank rate, the rise or fall of the aggregate of tonnage cleared in the ports, or the average number of days a week worked in coal mines are merely different ways of expressing the same facts regarding present or anticipated price levels. With the development of statistical science, it will probably be found that many other social phenomena that have so far not been amenable to mathematical estimation will be found to be in close correspondence with the known movements of advance and retrogression in industry.

It will be seen that the industrial cycle (to use another metaphor) has made during the last half century six complete revolutions. The best years were 1872, 1882, 1890, 1899, 1906, 1916. The worst years were 1879, 1886, 1893, 1904, 1908, 1920. The average period of a complete cycle of fluctuation has been between eight and nine years.

The First Trade Cycle. The rise in the 'seventies has been attributed to a variety of causes. Owing to the recent expiration of the Bessemer patents, steel began to be universally used in place of iron, and this contributed to the expansion of joint-stock enterprise in the metal industries. Further inventions, e.g. the Siemens-Martin process and the method of eliminating phosphorus discovered by Thomas and Gilchrist in 1877, hastened the substitution of steel for iron in ships and railways, and started an iron, steel, and coal trade boom. The opening of the Suez Canal in 1868 gave a fillip to Eastern trade, and the laying of the Pacific Railway to Western trade. The lessening of distance was equivalent in its economic effects to an enormous increase in productivity. Further, the public was becoming rapidly accustomed to the new credit instruments created by the joint-stock banks, which came into existence in the 'sixties. These had facilitated the floating of numerous ventures made possible by the

passing of the Companies Act of 1862, and, being added to the enormously increased quantity of gold which had got into circulation since the discovery of new sources in California and Australia in 1848-51, represented a vast inflation of the currency of the country. Without some such addition there would not have been sufficient currency to support a trade boom ; as it was, the actual increase in the volume of circulating medium more than kept pace with the demands of trade and stimulated a general rise in prices. The figures for foreign trade showed an increase of nearly 50 per cent between 1867 and 1872.¹ Employment statistics showed a steady advance until the same year.² British trade no doubt stood to gain from the war of 1870-71, which occupied her two chief continental rivals. Agriculture, aided by railways, shared in the general prosperity ; wheat prices and rents were rising, and the steady flow of labour from the villages to the towns, together with the offer of higher wages in other industries, indirectly contributed to a slight rise in agricultural wages in districts where the competing demand for labour was felt.

While prices generally were rising, wages were advancing even more rapidly, so that there was a general improvement in the economic condition of the wage-earners. This was still more noticeable because the rise in the price of the staple foodstuffs was relatively slight. The lately-won enfranchisement of the town worker enabled him to make some use of his new-found leisure and increased earnings for the improvement of his industrial status. The year 1873 was, in consequence, "unparalleled for the rapid growth and development of trade unionism." The great national unions were enabled to accumulate large funds for the provision of friendly benefits.

¹ See Appendix IV, col. 4.

² See Appendix IV, col. 5.

The check to the flow of prosperity started in 1874-5, and by 1876 depression had spread far and wide. Germany having adopted a gold standard just at a time when supplies were showing signs of falling off, there resulted a pronounced shortage of gold for currency, tending to lower prices everywhere. With the end of the Franco-Prussian War came a revival of European competition in manufacture, which adversely affected our industries. The manufacturer no longer enjoyed a relative immunity from foreign competition, and the fall of prices due to American food imports, together with a succession of bad harvests, dealt a severe blow to the farmer. Millions of capital invested abroad were lost by the default of petty South American States and by the inability of Turkey to pay interest. The export trades in consequence languished, the figures falling from £256,000,000 in 1872 to £191,000,000 in 1879. The depression was particularly severe in those branches which had previously profited most by the boom. There was a break in average prices which fell from the index number of 135 in 1871 to 125 in 1879 (the level for 1900 being taken as 100).

The greatest depth in the curve of depression was reached in 1879. It was worse than anything previously known, and unemployment among trade unionists was at the unprecedented level of 11 per cent. This was also the "black year" for agriculture. Incessant rains in spring and summer ruined the crops; yet prices, instead ofumping in consequence of short local supplies, fell away as a result of American plenty. This circumstance completed the ruin of British farming; the rural exodus continued at a more rapid pace, and town workers faced with the competition of large numbers of unskilled and casual workers for employment were unable to resist wage reductions.

The combined effect of falling prices and falling money

wages was to stabilize real wages at the improved level of 1873. The standard of living of the working classes continued, on the whole, to improve, and sugar and tobacco, currants and raisins, took their place in the family budget as conventional necessities. In ten years (1869-1879) the consumption of sugar was trebled and that of cocoa doubled.

The Second Cycle. The Queen's Speech at the opening of Parliament in 1880 referred with satisfaction to certain signs indicating a revival of trade. The yield of the taxes was so good that Gladstone enjoyed an unusually large surplus, which he used to remit a penny of the income tax. The year in which he introduced his last Budget (1882-3) corresponds with the highest level reached in this revival.

But the tide ebbed again quickly, and by 1884 the decline in average prices had set in strongly once again. In this year the Government appointed a Royal Commission to inquire into the causes of trade depression. The investigators stated that, in addition to over-production and falling prices, the causes of the depression were to be found in the partial exclusion of our trade from protected markets, and the underselling of competitors in neutral ones. They drew attention also to the advantage enjoyed by foreign rivals in cheaper rates for the carriage of goods and in the better technical education which was neutralizing the initial advantage we had possessed in the mechanical skill of our workers. Germany, in particular, was referred to as a dangerous commercial rival who was setting herself out deliberately to capture markets by the closest attention to detail in production for localized demand, by the scientific training of commercial agents, and by the encouragement of industrial research.

In the years immediately following 1882, during which the level of prices continued to fall, money wages were stationary, so that real wages were increasing. But

there was considerable unemployment among engineers and shipbuilders, which gave rise to anxious questioning regarding the future of our industries. The longer life of steel products (such as rails and ships) was resulting in a diminished demand for our chief manufactures. Our factories were equipped to produce more than the market could absorb at the current prices.

In this year the Local Government Board for the first time urged the local authorities to establish relief works. Distress was greatest among the unorganized, casual town-workers, whose numbers were being swollen constantly by the influx from the country. The depression was so severe as to precipitate an unusually large number of men and women into complete destitution, and the social conscience was profoundly stirred by the spectacle of unemployed hunger-marches. There were one or two ugly incidents, as on the occasion of the Trafalgar Square riot of February, 1886, when a Fair Trade meeting, captured by H. M. Hyndman, John Burns, and H. H. Champion, of the Social Democratic Federation, was turned into an angry demonstration, in which considerable damage was done to surrounding property.

A similar attempt on Lord Mayor's Day in the same year found the police better prepared, but London had had its first introduction to agitation with a revolutionary flavour. There was rioting, too, in the provinces, a consequence of acute distress resulting from enforced idleness. This was also the period of the strike of the match girls, which opened the eyes of the public to the evils of sweated labour. It was followed in 1889 by the strike of the dockers of the Port of London, whereby public attention was drawn to the associated evils of casual labour.

The Third Cycle. The success of the dockers was due to the fact that the tide of trade was again flowing. There was a momentary pause in the decline of prices in 1888,

and the downward movement was not resumed until 1892. Organization among the workers operated to check the tendency of wages to fall, and the rise in the material prosperity of the masses continued unchecked.

In the money market the favourable turn of events was signalized by the successful conversion of the three per cents by Mr. Goschen. The astonishing yield of the taxes on beer and spirits which gave him the means of financing some important social reforms, such as education, points to greater spending power in the community. There was a burst of speculative activity. A "brewery boom" and a "gold boom" were followed by activity in the share markets of electric light, telephone, underground railway and tramway companies. The agitation for a reversal of our Free Trade policy subsided in the presence of a general revival of trade. Even the Baring Crisis of 1890, involving the failure of a famous London bank, was, thanks to the ready action of the Bank of England, negotiated without a collapse of credit.

Though the country had survived the peril of the Baring failure, the nerves of the investing public were left in a bad state, and the effect of the strain became visible in a restriction of credit rather sooner than might otherwise have occurred. The fall which now set in took down prices in 1896 to the lowest level of the century. But money wages continued to rise, and the advance in the purchasing power of industrial earnings went on without interruption.

The following table of index numbers, taking the year 1900 as the base, will serve to indicate the changes—

| | <i>Money Wages.</i> | <i>Average Prices.</i> | <i>Real Wages.</i> |
|------|---------------------|------------------------|--------------------|
| 1880 | 81·2 | 129·0 | Rising rapidly |
| 1890 | 90·1 | 103·3 | Rising |
| 1900 | 100 | 100 | Slowly rising |
| 1910 | 99·7 | 108·8 | Falling. |

These figures bear out statistically what was clear to all observers of social habits towards the end of the last century: there was certainly a considerable diffusion of material comfort among the masses of the people. The luxuries of the one generation passed quickly into the conventional necessities of the next. For each social class there were new ways of spending the family income. There arose a great demand for new foods: the coming of the banana was a portent. In the towns the music-hall provided cheap entertainment for the million; everywhere the bicycle gave opportunity for recreation and change of surroundings. Journalists were producing cheap and popular weekly periodicals to supply the demand for light reading among the first generation of compulsorily-educated men and women. The halfpenny newspaper was within sight. There were corresponding innovations in the lives of the middle classes. Tennis, golf, and the seaside or continental holiday, the week-end habit, secondary education for the girls and provincial university education for the boys, bookshelves filled with cheap reprints of the classics in uniform editions, Gilbert and Sullivan operas—all these were late nineteenth-century products, which came into existence in response to a more widely diffused demand for recreation, interest, and variety in life under the stimulus of increasing leisure and a growing surplus of income over the cost of the bare requirements of existence. The character of the demand has changed as scientific invention has suggested new possibilities. The twentieth century has so far produced the cinema, the motor car, and "wireless," each of which takes its appropriate place in the normal scheme of life for every section of society.

The net result of fluctuating price levels, with a general downward tendency combined with a steady upward movement of wages, was to raise the level of real wages

rapidly in years of depression, and slowly in periods of brisk trade. The reaction of an unfavourable trade situation upon the welfare of the masses might therefore be good or bad. For the 90 per cent or so who were in regular employment, the cheapening of commodities increased their powers of consumption; the remainder, being in casual employment, unskilled, and always on the verge of unemployment, were precipitated into destitution whenever the demand for labour slackened. It came to be realized during the concluding years of the nineteenth century that the greatest social question of our generation was the treatment of chronic unemployment or semi-unemployment, and we shall see that the sovereign prescriptions of the first quarter of the twentieth century were education, technical training, and social insurance.

The Fourth Cycle. In the closing years of the century there was renewed activity and some restoration of business confidence. The year 1899 was one of the best years for a quarter of a century. The output of the shipping yards, which in 1897 had been the lowest for a decade, suddenly in 1898 leaped up to a record figure and went still further in the following years, reaching four-fifths of a million tons in 1902. In the three years 1899-1901, no fewer than 15,000 new joint-stock companies were registered, compared with 8,000 in 1889-1891. Activity was great in the iron and steel trades, and even farming, after the terrible depression which had lasted for a generation, shared in the revival. Unemployment among trade unionists fell to the low level of 2 per cent and the rise of wages continued very rapidly until after the turn of the century.

The Boer War broke out in October, 1899, and dragged on until May, 1902. Before the end of that year the after-war slump had commenced. Wages had already fallen from the high level of 1900, and with the cessation of war

orders, and the demobilization of the troops, a bad winter was in sight. Unemployment steadily rose until it reached nearly 6 per cent in 1904, and wages fell five points. There was some anxious questioning as to whether all was well with British trade. The cry of the age was for greater "efficiency." England was scolded for slackness and bidden to "wake up." The mismanagement of the war had disturbed our complacency, and on the return of Joseph Chamberlain from South Africa the note of alarm was sounded in regard to the future of our commerce. The volume of unemployment in the country was a standing argument in favour of Tariff Reform. But the lassitude which had seized upon the nation continued through 1904 and 1905, and activity did not begin until 1906.

The Fifth Cycle. The recovery was only partial and was short-lived. The most noticeable feature in the trade situation of this period was the rapid increase in foreign trade, net imports and exports reaching in 1907 the hitherto unprecedented figure of over £22 per head of the population. Unemployment fell to between 3 and 4 per cent, and wages were recovering what had been lost since the war. But prices were steadily mounting, and the fall in real wages was only temporarily checked in 1906 and 1907.

Unfavourable symptoms showed themselves again in 1908-9, when the level of unemployment was about equal to that in the bad year 1893, and much higher than in the intermediate depression of 1904. Money wages failed to hold the gain of 1907, and since the rise in prices steadily continued, there was a distinct check to the advance in the purchasing power of wage-earners. This revealed itself in political and industrial unrest, numerous strikes and lockouts, "direct action," and a pronounced bearing of the trade union movement in the direction of Socialism.

The decline in real wages after the closing years of the century resulted from certain deep causes affecting the

relation of supply and demand of capital and labour. In the first place, the increase in industrial capital in this country was kept down by certain new influences. A larger proportion of savings was finding its way into foreign investments, and costly wars (such as the Boer War, the Russo-Japanese War, and the Balkan Wars) were destroying a large part of the world's inheritance. It has been pointed out further¹ that the employable industrial population was increasing very rapidly after 1896. The birth rate was at its maximum in 1871, and the children of that period were now in full manhood. Consequently, the census of adult males showed a disproportionate increase as compared with the general rise in population. Since capital ceased to flow into home industry at the same rate, and labour was more plentiful, real wages were falling relatively to the real rate of interest. The full effect of this change of equilibrium was not felt because there were influences at work which tended to restore the balance. The shortening of the normal working day for all, and the diminished industrial employment of women and children, operated in a contrary direction by restricting the labour supply. The policy of trade unionism in checking excessive output by laying down conventional standards and speeds of working, discouraging "overtime" employment, and advocating time-wages rather than piecework rates, was devised to counteract the influences which were operating to cheapen labour.²

The Sixth Cycle. The last cycle is that which embraces the cataclysmic years of the Great War. A general improvement came about after 1912, bringing unemployment down again to the apparently irreducible minimum of 2 per cent, at which figure it had stood in 1889

¹ Layton, *Capital and Labour*, pp. 38-9.

² The output of coal per person employed fell from 314 tons per annum in 1899 to 246 tons in 1912.

and 1899. The sudden dislocation of industry in the August of 1914 threw a large number out of employment, but these were immediately after absorbed into the war services in the field or at home. Unemployment among trade unionists fell to less than half of one per cent in 1916, and many of the chronic unemployables of an earlier time found a niche in the scheme of national endeavour during the four years of the war.

Variations in prices and wages, which had hitherto moved within comparatively narrow limits, became in the war period and after enormously greater in range. Between 1871 and 1910 the maximum variation from the normal price level was about 21 per cent. From 1914 onwards wholesale commodity prices moved as follows—

Basis, 1901-5 = 100

| | | | |
|----------------------|-------|----------------------|--------------------|
| July, 1914 . . . | 116.1 | December, 1920 . . . | 269.3 |
| December, 1915 . . . | 165.1 | „ 1921 . . . | 198.0 |
| „ 1917 . . . | 263.2 | „ 1922 . . . | 193.8 |
| November, 1918 . . . | 282.6 | „ 1923 . . . | 208.2 |
| March, 1920 . . . | 379.6 | August, 1924 . . . | 210.3 ¹ |

Putting the same facts in another way, the housewife calculated that a sovereign which would have purchased 'twenty shillings' worth of food in 1914 had power, in the spring of 1920, to purchase only about seven shillings' worth. The range of wage fluctuation is comparable.²

Contrary to expectation, the armistice was followed by an enormous trade boom which lasted for two years. In April, 1920, trade union unemployment was still less than 1 per cent, and under the stimulus of the insatiable demand of a nation with bulging pockets, prices were forced up to undreamed-of heights. Wages reached their maximum a

¹ From *The Economist*, 6th Sept., 1924.

² See the table given on the opposite page (from *The Round Table* of September, 1922).

little later—in January, 1921—when they stood at 277 compared with 100 in 1900. By this time prices had fallen back to the index figure of 251, so that there was a very considerable appreciation of real wages.

The boom was succeeded by an unprecedented slump. In January, 1922, when the depression was at its worst, one-sixth of the insured population was returned as unemployed, and in April, 1922, the rate among trade unionists

| | 1914. | Dec. 31, 1920. | Feb. 28, 1922. | June 30, 1922. | Percentage increase over 1914. |
|-----------------------------|-------|-------------------|-------------------|-------------------------------------------------------|-----------------------------------------|
| BUILDING TRADES— | | | | | |
| Bricklayers | 40/7 | 100/10 | 86/9 | 72/- | 77% ¹ |
| Labourers | 26/11 | 87/3 | 68/5 | 56/- | 108% |
| SHIPBUILDING | | | | | |
| Skilled men | 41/4 | 101/- | 75/- | 58/6 | 41½% |
| Labourers | 22/10 | 70/- | 56/7 | 41/1 | 76% |
| ENGINEERING— | | | | | |
| Skilled men | 38/11 | 89/6 | 73/6 | 57/- | 46½% |
| Labourers | 22/10 | 70/9 | 56/11 | 40/5 | 77% |
| COAL MINING— | | | | | |
| Index Nos. | 100 | 250-300 | 120-179 | 120 (in all dis- tricts except Yorkshire) | 20% |

was 17 per cent. This was the average over all industries, but in certain branches it was far worse and it does not include the partial unemployment of those on short time.² Coal miners, for example, as a rule share out between them the work available. In July, 1922, when things had begun to improve, miners generally were still working only 4½ days a week (in Scotland less than 3½). More than half of the 1,427,000 workers completely unemployed in the insured trades were found to belong to the shipbuilding

¹ The table indicates clearly that the unskilled worker has been able to retain relatively more of what he gained during and just after the War than the skilled worker.

² See *Manchester Guardian Commercial*, Oct., 1922. Article, "Unemployment and its Treatment," Prof. Henry Clay.

(one in three), iron, steel, and engineering (one in four), transport (excluding railways) and the constructional industries (one in five). The slump was accompanied by all the usual features: restricted credit, falling prices, reduced wages, lessened exports, and strike activity.

The general influence of the war was to reduce the country's economic resources and to restrict its commercial opportunities. The sacrifice of three-quarters of a million lives in the full vigour of manhood, the interruption or total loss of industrial training for most of the young men, the lowering of the industrial quality of labour, the loss of material capital, were reflected in the reduced volume of output of industry. At the same time, the world's effective demand for our services was reduced. Foreign countries were both less willing and less able to purchase British goods—less willing because of intensified nationalist sentiment, and less able because of reduced purchasing power. Added to these obstacles, the enormous depreciation of many European currencies was an effective bar to the resumption of international trade relations. In consequence of these facts, the recovery of trade prosperity during the last two years has not proceeded as rapidly as in the initial stages of earlier trade booms.

§ THE TREATMENT OF UNEMPLOYMENT

As a result of the changes in the organization of production described in a previous chapter, unemployment and under-employment became in the second half of the nineteenth century to a greater or less extent a normal feature of industrial life. Apart from the existence of unemployables, disabled by age, or infirmity, or other personal defect, official returns for the period preceding the war show that of skilled workers 2 per cent failed to secure employment even in times of good trade, while in times of bad trade the proportion might be as large as

11 per cent or even more. The unemployed or normally unemployable fraction is still larger among unskilled workers. Many methods of modern industrial organization would not be possible without this surplus to draw upon to meet unforeseen or seasonal demands for services or commodities.

Unemployment in the industrial age became a chronic disease. When trade was depressed, thousands who lived on the verge of destitution in uncertain and casual employment sank below the line. When trade showed signs of improving, production could only be increased by drawing on the labour reserve. Under static trade conditions unemployment might be eliminated. But the existence of floating supplies of labour is the indispensable condition of a trade boom, and often a predisposing cause. The cyclical fluctuations in trade, which have become during the last half century a familiar phenomenon, would be simply impossible without this reserve army of workers ready to be "called on," and submitting to be "called off," at a moment's notice. Further, there are in existence commercial undertakings (e.g. at docks and wharves) that are organized on the basis of casual labour, the "hands" being taken on each morning and dismissed as each job is finished.

The Principle of the Poor Law. The principle of the treatment of the able-bodied unemployed under the Poor Law was that of "less eligibility"—that is to say, the relief afforded was to be such as to render the situation of the recipient less eligible than that of the lowest-paid independent labourer, and the acceptance of relief was held to involve the loss of civic rights. Outdoor relief to the male able-bodied was subject to a work-test, and the forms of assistance were meant to be deterrent, and even mildly penal.

Supplementing the operation of the Poor Law there was a number of local private charitable agencies which sought

to rescue the deserving poor from the social disgrace attaching to acceptance of relief from public funds. To co-ordinate the work of these agencies, the Charity Organization Society was founded in 1869, and notwithstanding the fact that it incurred some unpopularity by its methods, it did much to improve the administration of charitable funds in normal times.

Winter Distress, 1885-6. But the problem was becoming too difficult for solution by voluntary agency. The exceptional unemployment and distress in London and elsewhere in the winter of 1885-6 gave rise to some alarm. Severe privation followed in the ranks of those who did not ordinarily seek assistance from the parish, and the humanitarian sentiment of the time called for measures of private or public relief that should not involve the stigma of pauperism. Voluntary committees distributed infinitesimal doses of ineffectual charity. Unfortunately, little attention had yet been paid to the best methods of public assistance, and the Committee of Inquiry into the causes of distress, sitting at the Mansion House, wasted the money contributed by the public in a "spasmodic and indiscriminate distribution of relief"¹ without adequate inquiry. Efforts continued, aided by the Salvation Army Food and Shelter Depots, but this much-advertised and "sensational philanthropy" left untouched the root causes of the industrial disease. "A hundred different agencies for the relief of distress," wrote Professor J. R. Green, "are at work over the same ground, without concert or co-operation, or the slightest information as to each other's exertions, and the result is an unparalleled growth of imposition, mendicancy, and sheer shameless pauperism."² In these circumstances, Mr. Joseph Chamberlain, then President of the Local Government

¹ Bosanquet, *Social Work in London*, p. 323.

² *Ibid.*, p. 12.

Board, addressed a circular to local authorities urging Boards of Guardians to confer with other local authorities, and to undertake in conjunction with them "public works" on which unskilled labour might be employed. For this purpose Government loans were promised on easy terms. To prevent imposture and to encourage a return to normal employment, the wages offered should be something less than those ordinarily paid.

The same plan was adopted in the "bad years" 1891-5, when several municipal authorities kept "unemployed registers" to facilitate the finding of work. But the treatment of unemployment continued to be regarded merely as a phase of Poor Law administration. The rule was that public funds should be employed to relieve the able-bodied only when the voluntary agencies failed to cope with the problem. Every expedient was still in the experimental stage.

Renewed Depression in 1902. The depression which started in 1902 reopened the question, and a Mansion House Committee adopted a scheme by which applicants for relief were to be put to spade work in farm colonies away from London, while allowances were made to their families at home. The "colony" scheme of 1903-4 "witnessed the application of several important principles. Work was given, not money. Regular work . . . was given in place of doles of irregular work. The principle of making relief less attractive than industry was recognized and applied by the device of rustication. The conception of a specific industrial evil—cyclical trade depression—needing to be treated scientifically led to a selection of men, not simply according to their distress, but according to their industrial record. Finally, the committee followed up their work by an attempt to ascertain its effect upon those assisted."¹

¹ Beveridge, *Unemployment*, p. 160.

Unemployed Workmen Act, 1905. These principles were adopted as the basis of the Unemployed Workmen Act of 1905. For the first time a clear distinction was drawn between genuine unemployment due to general industrial causes, and the destitution which it was the function of the Poor Law authorities to relieve. In so far as unemployment was a local phenomenon, the situation might be improved by a more scientific system of distributing labour. Moreover, it was recognized that the provision of temporary work was to be regarded not as a remedy but as a means of tiding over the difficult period until normal employment could be found. The Act provided that Local Distress Committees should be set up to collect information, to discriminate between applicants for relief, to establish labour exchanges, and to assist emigration.¹ Funds were provided partly from the proceeds of a half-penny rate (which might be raised to a penny with the consent of the Local Government Board), and partly from voluntary sources. The Bill did not provide for the establishment of public works, except as regards farm colonies where useful training would be provided for those who possessed no industrial skill. The Act contemplated the co-operation of the Poor Law Guardians, the municipalities, and charitable agencies, and tried to improve on the methods characteristic of each. While the deterrent principle of the Poor Law was retained, it was softened, and no longer involved disfranchisement, or the demoralization of the stone-yard. The principal defect of municipal relief work, namely, its temporary and casual character, was removed by the establishment of permanent "colonies," and the frequently misdirected efforts of spasmodic private charity were guided into more useful channels.²

¹ According to the returns of the Local Government Board, 3,386 men with their families were emigrated under the Act—mainly to Canada.

² Beveridge, *Unemployment*, p. 165.

Farm Colonies. In practice the system of farm colonies under the Act developed a character quite different from the intentions of its authors. The safeguards were one by one allowed to fall into neglect. Voluntary subscriptions dwindled to nothing and were replaced by Exchequer grants. Instead of relieving substantial workmen in temporary difficulties, the colonies were swamped by those who lived always from hand to mouth and could not in any event be absorbed by normal industry. The life of the colonists became not less but more eligible than that of the independent worker. It is said that the net cost of relief in London was "three times the allowance which the best-organized trade unions think necessary for their unemployed members."¹

The Right to Work. Much of the discussion during the passage of the Bill through Parliament centred around the claim of a "right to work," and it was contended that though the Act did not actually promise to provide work for all who should apply for it, the principle of the responsibility of the State was in fact implicit in the terms of the measure. An attempt to make this explicit in a new Bill introduced in 1907 did not succeed, and for a time more was hoped for from a better system of distribution of employment and labour than from the creation of relief work for the unemployed. The Reports of the Poor Law Commission of 1909 urged the extension of Labour Exchanges, which, even if they did nothing to increase the volume of employment, did much to reduce the friction and the wastage incidental to the working of the industrial system. The Labour Exchanges set up under the earlier Unemployed Workmen Act were inefficient because they were temporary in character and worked without co-ordination. The new system, set up under the Labour Exchanges Act of 1909, established them on a national

¹ Beveridge, *Unemployment*, p. 190.

and permanent basis. Later, to meet the criticism that it ought not to be implied that human labour was being bought and sold at the Exchanges like an ordinary commercial "commodity," they were renamed "Employment Exchanges."

Unemployment Insurance. The National Insurance Act of 1911, in addition to providing for sickness out of funds contributed by workers, employers, and the State, made a beginning also with insurance against unemployment. Part II of the Act applied to certain trades considered to be subject to seasonal or cyclical movements affecting the volume of employment. They were: (1) Building, (2) Construction of Works, (3) Shipbuilding, (4) Mechanical Engineering, (5) Iron-founding, (6) Construction of Vehicles, (7) Saw-milling. These were compelled to enter into a scheme whereby a part of the loss to the workers involved in the fluctuations of trade should be borne by the employers, the remaining part being shared between the workpeople and the tax-paying community. The passage of this Act marked a distinct step forward, for it recognized the principle that an industry should bear the burden of the risks it entailed on those who supplied it with labour, and should be encouraged to organize production so as to diminish these risks.

Post-war Conditions. The probability of a wave of trade depression after the war led to further discussion of the problem and of the methods that ought to be adopted to solve it. The expectations were summed up as a labour market overstocked with unskilled and semi-skilled workers, scarcity of capital, heavy taxation to meet war charges, lessened foreign trade, and the chances of industrial unrest during the process of reducing inflated war wages. It was anticipated that the inevitable fall in prices would involve the holders of large stocks in heavy loss. The

demobilized soldiers and sailors would have to be re-absorbed into civil life, and at least temporary relief provided for their displaced substitutes.

The Out-of-work Donation. The conditions were not such as could be met with the help of expedients merely for distributing labour ; moreover, relief works, improvised only as an excuse for making allowances, were thoroughly discredited. But there was not the same objection to the putting in hand by the Government and by the larger local authorities of work of the kind normally undertaken by public bodies for which the necessity was recognized and the plans already laid down. It was suggested that such work might be speeded up when private enterprise was slack, and eased off when trade became more brisk.

The measures that were adopted had reference to the immediate problem of transferring industry from war conditions to a peace-time basis. To spread out over more workers the employment which was available, overtime work was restricted, piece-work was substituted for time-work, and hours of labour were reduced. At the same time the Government granted funds to local authorities for housing, road construction, and similar undertakings. To meet temporary distress, a non-contributory out-of-work donation scheme was started both for discharged soldiers and sailors and for civilians. Intended at first only to bridge over the inevitable period of dislocation, these grants had to be continued and increased during 1920 and 1921 as the cost of living rose and the volume of unemployment grew. More permanent relief was afforded by an extension of the principle of State Unemployment Insurance in 1920 to practically all trades except agriculture and domestic service. The original Act of 1911 applied to about 2,500,000 workers, and the extended measure of 1916 covered about

4,000,000 ; the Act of 1920 brought in nearly 12,000,000 workers, or more than one half of the total occupied population.

Trade Facilities Act and Exports Credit Scheme. The Unemployment Insurance Act of 1920 was based upon the assumption that the percentage of unemployment among insured workpeople would not exceed 9·5 per cent. Actually, the percentage rose to twice this figure.¹ In consequence the rates of contribution and benefit had to be modified in order to safeguard the scheme from bankruptcy. Further measures were taken in 1920 and 1921 to encourage new undertakings which would provide employment. In addition to making grants for relief works and a special grant to the Road Board to be spent on road improvement, the Government undertook to share the loan charges for sums borrowed by local authorities for capital expenditure. The Trade Facilities Act guaranteed principal and interest on loans for private capital undertakings calculated to promote employment in the United Kingdom. The Exports Credit Scheme insured the trader wishing to resume relations with foreign markets against loss due to political causes. The scheme is administered by the Department of Overseas Trade and has done something to relieve unemployment by assisting the manufacturer to export goods wholly or partially produced in the United Kingdom.

The General Election at the end of 1923 was fought very largely on the question of an unemployment policy. Somewhat half-heartedly, tariff protection for our industries was proclaimed from Conservative platforms. The Liberal policy advocated a resumption of foreign trade relations and an extension of State insurance. The Labour Party urged that the depression was due to heavy taxation entailed by the enormous burden of war debt,

¹ See Table in Appendix IV.

and argued the justice and expediency of a Capital Levy. The result of the election was indecisive, and the even balance of parties made resort to Protection and the Capital Levy equally impossible for the moment. There was a slight, though scarcely perceptible, improvement of the industrial situation in 1924. At present, public works both at home and in the colonies are being pressed forward; financial assistance is being rendered through the Trade Facilities Scheme to enterprises involving the employment of much labour; while the scale payments already in force for the maintenance of the unemployed and their dependents are being continued.

The Population Question. Economists in our own day are asking the questions: Can we any longer maintain an increasing population at an improving standard of life? Are the British Isles now populated to the limit of their capacity? Must we inevitably suffer a lowering of the standard of life as the strength of the nation is sapped by the necessity of supporting in idleness a growing army of those for whom there is and can be no employment? On the one hand there are political and military considerations which favour a growth of numbers. On the other hand Eugenists advocate measures both of voluntary and compulsory limitation of numbers among certain classes in the population as a means of securing improved quality. It is certain that a degradation of the conventional standards of life cannot take place without grave risk to social order. Public opinion in our day has on ethical grounds approved of legislation establishing national minima in regard to the necessities and some of the amenities of life for every citizen. Yet it is obvious that if our population is, by the over-rapid multiplication of the least eligible stocks, to suffer a progressive deterioration of industrial quality, the nation will not create the material wealth required to maintain such a standard even at its present

level. But if the standard is not only to be maintained, but also to progress, in accordance with what has hitherto been regarded as a law of Western civilization, the problem of providing the material resources for such an advance becomes still more difficult. Possibly in the future, as in the past, science and invention hold the key to the situation.

CHAPTER VII

INDUSTRIAL CONFLICT AND CONCILIATION

As production has become more specialized it has become less direct and more complex. Between the raw materials in the mine or on the plantations and the finished product in the hands of the consumer, a larger number of steps are interposed. Trades and markets in consequence have become interdependent and closely responsive to influences affecting the industrial organism in any part of the globe. A functional derangement in one region immediately lowers the tone of the whole, and any failure to function at one stage inevitably brings the whole industrial process to a standstill. This organic relation of functions and processes within the body of industry is of central importance in the study of modern conditions. Commerce has become highly sensitive and highly speculative. A larger proportion of the agents of production are engaged on making "future" goods than on making "present" goods. The risks fall no less upon those who provide labour and skill than on those who provide capital. At the end of the eighteenth century agriculture was fundamental, and localized industry was broad-based upon this secure foundation. At the end of the nineteenth, when agriculture had declined and commerce had grown to international dimensions, industry was balanced on a knife-edge. The slightest disturbance of its delicate adjustments involved thousands in loss or ruin. This is the root cause of the insecurity which is the curse of modern industrial life.

These tendencies have had important reactions upon the worker's mental outlook. The increasing specialization of

processes has robbed him of interest in his work. He is responsible for such a minute part of the total product that he has lost intelligent interest in the whole. He may never see nor handle the ultimate article to which his labour has contributed. Formerly he was a craftsman ; now he is a " hand." Labour has ceased to be for the average worker an educative process whereby he is continuously realizing himself through the progressive development of his capabilities, and consequently at the same time achieving happiness. It has become merely task-work measured against an hourly or weekly wage. Unless his leisure supply him with means of developing his powers of judgment, of educating his taste and of cultivating his feelings, he cannot but remain brutish and ignorant. It is, therefore, not surprising that very commonly a man gives the best of himself to his leisure and his second-best to his work.

Further, the relationship has changed from personal to impersonal. The worker not only fails to understand fully what he is doing, but he does not even know who are his actual employers. The " firm " is an abstraction with which he can stand in no form of living contact. Being discharged, or put on short time, he has no remedy ; there is no appeal against the working of an invisible and impalpable power controlling his life. His sub-conscious grievance is therefore often directed against society in general and is an important element in the phenomenon of social discontent.

Industrial Unrest. Industrial unrest first became a prominent and permanent feature of modern life in the period of the great depression of 1879. In the main it was an inarticulate protest against the risks involved upon one section of the community by the operation of industrial forces. Occasionally it found expression in a demand for a new industrial order. It called for the

intervention of the State on behalf of those whose standard of living was liable to sink, and for the sharing out of the risks over the whole community. The claim could not be denied, and for the last half century schemes of social amelioration have formed the staple of legislation.

But social legislation, while it has contributed much to save the worker from the worst accidents of industrial fortune, has not succeeded in bringing about a position of equilibrium; it has not solved the central problem of reconciling the interests of employers and employed. Every great disturbance of the smooth flow of industrial life brings to the surface again the sediment of discontent. The six periods of trade depression which have been outlined were each marked by intensified strike activity, reaching in 1911-12 the proportions of revolution. During the War and since, the temper has become still more embittered, and the area of conflict tends to grow wider.

Commission of Inquiry into Industrial Unrest. A Commission of Inquiry was appointed in 1917 to investigate the problem of industrial unrest in each of the great centres of population. Naturally, the conditions created by the War figure prominently in the evidence submitted to the Commissioners. The principal causes of unrest are summarized in the report as follows:¹

“High food prices in relation to wages, and unequal distribution of food. Restriction of personal freedom and, in particular, the effects of the Munitions of War Acts. Workmen have been tied up to particular factories, and have been unable to obtain wages in relation to their skill. In many cases the skilled man’s wage is less than the wage of the unskilled. Too much centralization in London is reported. Lack of confidence in the Government: This is due to the surrender of trade union customs and the feeling that promises as regards their restoration will not

¹ *Commission of Inquiry into Industrial Unrest*, cd. 8696, p. 5.

be kept. . . . Delay in settlement of disputes : In some instances ten weeks have elapsed without a settlement, and after a strike has taken place the matter has been put right within a few days. Operation of the Military Service Acts. Lack of housing in certain areas. Industrial fatigue. Lack of proper organization among the unions. Lack of communal sense. This is noticeable in South Wales, where there has been a breakaway from faith in Parliamentary representation. Inconsiderate treatment of women, whose wages are sometimes as low as 13s. Delay in granting pensions to soldiers. . . . Raising of the limit of Income Tax exemption. The Workmen's Compensation Act : The maximum of £1 weekly is now inadequate."

The strongest emphasis was placed on the commonly accepted belief that the cost of living had increased disproportionately to the advance in wages, that the distribution of the food supplies was unequal, and that some sections of the community were "profiteering." Next to this, the restrictions which the Munitions of War Acts placed upon the free movement of labour, the changes in working conditions introduced without consultation with the workers, and dilution of labour were serious causes of unrest. In certain areas bad housing conditions, liquor restrictions and industrial fatigue gave rise to discontent. The great majority of these causes were said to have their root in certain psychological conditions. Want of confidence was a fundamental cause, of which many others were merely manifestations. It showed itself in a feeling that there had been inequality of sacrifice, that the Government had broken serious pledges, that the trade union officials were no longer to be relied on, and that there was a woeful uncertainty as to the industrial future. "The reports abound in instances of the prevailing feeling that pledges are no longer observed as they were in pre-war days.

Allusions to 'scraps of paper' are painfully numerous."¹ The main Report states that the recommendations of the Whitley Committees had met with general approval. Industrial workers welcomed any step which would take the control of their conditions of work and destinies out of the hands of a distant authority over which they had no influence.

The sectional report of the Commissioners for Wales contains a careful analysis of some of the newer aspects of labour unrest. Among the miners who in the early years of trade unionism had striven to keep it aloof from politics and free from class-consciousness, there was a changed spirit at work. It fed on the discontent for which squalid and insanitary dwellings, the polluted atmosphere, and universal ugliness were responsible, as much as the sense of economic grievance. In the narrow valleys where coal-mining is the sole occupation, where there is no diversity of interests and where there is an even monotony of existence, the propagator of a new economic and social creed meets with no obstacles. Ideas spread rapidly, and the very absence of facilities for recreation and other leisure interests has stimulated the political education of the workers. On the one hand, this has brought Labour prominently into Local Government and has helped to create the Labour Party in Parliament. On the other hand, the advanced section has learned to look upon political action as an obsolete method of reforming the conditions of industrial life. In face of the pronounced trend of capital towards the creation of monopoly, the failure of orthodox trade or craft unionism has been widely proclaimed. Advance must be along a new path in the direction of industrial unionism. Disillusioned by the relative failure of the Labour Party since 1906 to bring

¹ *Report of Commission of Inquiry into Industrial Unrest*, cd. 8696, p. 7.

about any noticeable change in industrial conditions, the miners showed a disposition to belittle political action, and the report stated that industrial action was in the ascendant. "Nearly all movements initiated by the South Wales Miners' Federation during recent years, consciously or unconsciously, are directed to the overthrow of the present capitalistic system and the establishment of a new industrial order under which the workers will have a greater measure of control over their industry, and a larger measure of the produce of their labour."¹ The Commissioners for Scotland reported the existence of a similar revolutionary element "inclined to methods tending to undermine the authority of the duly authorized Executive Councils . . . of the unions."²

§ METHODS OF INDUSTRIAL CONCILIATION

The solution of the problem of industrial unrest has been sought in two opposite directions, of which one would give to the worker a lessened control over the processes of industry, and the other would increase his share in determining the conditions of labour. The psychological expert has been called to the assistance of the large employer to suggest how by increased specialization of function the product can be increased and profits maintained while wages advance. His services have also been sought by the philanthropic employer who has been touched with a feeling for the yearnings of his workpeople towards intelligent interest and joy in their work, leisure and recreation, decency of home conditions and hope of independence. As a result of the first we have had

¹ *Commission of Inquiry into Industrial Unrest* (Wales), cd. 8668, p. 24.

² *Commission of Inquiry into Industrial Unrest* (Scotland), cd. 8669, p. 3.

Scientific Management ; as a result of the second Welfare and Co-partnership schemes. The two aspects of the matter are not necessarily incompatible, for it has been found possible to unite efficiency in the mechanical and material sense, with human efficiency in its fullest sense. Nevertheless, competitive industry under prevailing conditions usually tends to emphasize the process to the detriment of the worker. Or rather, while the efficiency of the worker in one particular direction may be improved, his total personality may be in equal ratio impaired. Industrial gain may thus be balanced by social loss.

Scientific Management. In this country the worker's attitude to scientific management has been hostile, and the reason is not far to seek. The trade unionist has detected in it a subtle poison which would inevitably destroy his hard-won right of collective bargaining. He resents the separation of the functions of the brain and the arm, which scientific management seems to involve. Having won a measure of control of the conditions of his work, he is jealous of a system which asks him even in his own interest blindly to obey the detailed instructions of a motion-study expert. He is irritated by the attitude of the paternal employer, and even although it might be demonstrated to him that his wages could be increased by half, he would still be left wondering what would happen to the workers displaced by the improved efficiency of the remainder, and whether he himself might not prove to be one of the sufferers. The attitude of the modern worker resembles that of the earlier machine-breaker. The innovation has threatened to deprive him of the benefit of his slowly-acquired skill and experience ; it has threatened to stereotype his labour and himself, and to rob him of the most distant hope of rising to independence and responsibility. The hostility which has so far checked the application of the principles of scientific management to

industry in Great Britain has its root in a vague sense that the advance of labour towards better conditions is thereby in danger of being side-tracked.

Profit-sharing and Co-partnership. Trade unionism has shown itself suspicious not only of scientific management and the motion-study expert, but also of profit-sharing and co-partnership schemes as a means of securing harmonious relations in industry. Started by the South Metropolitan Gas Co. in 1889, co-partnership and profit-sharing spread at first slowly, but after 1907 rapidly, to a large proportion of the joint-stock gas undertakings in Britain,¹ which provide "a field exceptionally favourable for the application of co-partnership methods."² The only other large industries in which considerable progress in this direction has been effected are the engineering and ship-building, and the chemical, glass, and pottery trades. For the most striking examples of co-partnership and profit-sharing we have to look to the enlightened practice of certain private firms, where the initial impulse has come not from the workers' but from the employers' side. Messrs. Lever Bros. inaugurated an important scheme of "prosperity sharing" in 1909, and in the great armament firm of Sir W. G. Armstrong, Whitworth & Co., Ltd., a scheme of "deposit profit-sharing" has been in existence for many years. But co-partnership in its various forms has been tried on far too limited a scale to bring us appreciably nearer the era of industrial peace, and it remains for the most part the plaything of the philanthropic employer.

There is a widespread fear that welfare schemes, whatever the intentions of their authors, will sectionalize the workers and weaken their sense of loyalty to their fellows.

¹ Aneurin Williams, *Co-partnership and Profit-Sharing*, p. 83.

² Board of Trade Report on Profit-sharing and Labour Co-partnership in the United Kingdom, 1912.

Co-partnership implies that the worker possesses a financial stake in a business, and in so far as his interests are thus bound up with its prosperity, his freedom of action is compromised. Like the married man, he has "given hostages to fortune." The system is opposed by collectivists because it helps to perpetuate industry conducted for private profit and conflicts with the ideal of State employment. "Welfare work," unless conducted with the greatest tact and sympathy, can easily pass into paternalism, which is particularly irritating to the independent temper of the average Briton.

Hostility to all these schemes is based on the contention that they attack the symptoms and not the root causes of industrial unrest. A long line of reformers from Robert Owen through John Ruskin down to the Syndicalists and Guild Socialists of our own day are agreed that injustice is inherent in the existing system of competitive industry. Some have urged that this injustice can be removed only by the drastic surgery of a revolutionary strike. Others have believed that the gradual replacement of competition by co-operation as the motive force in industry would bring about the desired result. The General Strike emerged from the ruins of Chartism discredited and disowned by the mid-century trade unionists. About the same time the seed of co-operation was planted by the Rochdale Pioneers.

§ THE CO-OPERATIVE MOVEMENT

John Stuart Mill, who may on the whole be regarded as the representative economist of his age, published his *Principles of Political Economy* in 1848. Therein, discussing in prophetic vein "the probable futurity of the labouring classes," he predicted that the wage system would be in time replaced by a system in which those who supplied labour and those who supplied capital would be

merged together. He saw in co-operation the remedy for the industrial mal-adjustment which was so obvious a feature of his age.

Producers' Co-operation. Mill regarded co-operation mainly in the light of co-partnership, and considered the self-governing workshops to be the typical industrial unit of the future in which the worker would supply both labour and capital. Neither he nor the Christian Socialists looked upon Consumers' Co-operation as an important part of the movement. History has falsified the prediction, for the career of the self-governing workshops has been brief and chequered, while distributive co-operation has gone on from strength to strength. The relative failure of working-class co-operation for production has been attributed to "the complexity and magnitude of the prevalent productive unit under modern conditions (necessitating much capital and a specialized managing and organizing side), and the constant change in modern economic conditions (necessitating alertness and an intermittent responsiveness in enterprise which co-operative labour groups have hitherto but imperfectly evolved").¹

Consumers' Co-operation. The growth of Consumers' Co-operation, though inspired by Robert Owen, has to be traced from an insignificant beginning. The establishment of the Rochdale Store in Toad Lane in 1844 gave to the movement its practical direction. Its growth is marked by the assembly in 1867 of the first Co-operative Congress, which met under the presidency of Tom Hughes (author of *Tom Brown's Schooldays*). Four years previously the English, and in 1868 the Scottish, Co-operative Wholesale Societies were established. Formed originally as a wholesale agency for the benefit of the stores, they developed a few years later productive, housing, banking and insurance departments, and purchased tea estates in Ceylon and

¹ Chapman and Brassey, *Work and Wealth*, IV, p. 213.

farm lands in England and Canada.¹ Progress has been uninterrupted. In 1921 there were 1,352 Retail Distributive Societies with a membership of over 4,500,000, and 102 Productive Societies with a membership of close on 40,000. The combined share capital was in excess of £83,000,000.

The spread of the Co-operative idea, however astonishing, has not been without its limitations, imposed both from without and from within. Co-operation has failed to reach the very poor. There is among co-operators an uneasy feeling that there should be some better relation between the societies and their employees than the ordinary relation between employer and worker which obtains in private concerns. The productive and retail departments are not by any means self-sufficing, but have to supplement their resources by dealing in goods supplied to them by private competitive enterprise. Further, the co-operative movement has made but a small beginning with agriculture, although early schemes usually contemplated the establishment of co-operative farm colonies.

§ BOARDS OF CONCILIATION

The accumulation and consolidation of capital on the one side, and the growing solidarity of labour on the other, which were both marked features of industry and commerce in the late Victorian age, enlarged the scope and intensified the bitterness of trade disputes. But until the Conciliation Act of 1896 was passed, there was no provision made for the exercise of the right of the State to concern itself in these matters. By earlier legislation in 1867 and 1872, Parliament had tried to encourage the settlement of disputes with the aid of Boards of Conciliation, set up by

* ¹ Fay, *Life and Labour in the Nineteenth Century*, p. 241.

voluntary agreements of employers and workpeople, drawn up in statutory terms and legally registered. But the latter were suspicious of the possible effect of compulsory elements in the conditions laid down, and the employers were reluctant to submit to outside interference. In consequence, not a single licence to set up a Board was applied for. At the same time the Nottingham framers and the Wolverhampton builders established of their own accord joint councils—permanent boards on which masters and operatives were represented in equal numbers—and their example was widely followed. The Report of the Royal Commission on Labour (1891-4) said: "Such success as these boards have achieved (and their success has been considerable) has been mainly due to their voluntary character, and to the fact that they have possessed no legal coercive power."

Being of spontaneous origin, these bodies had no uniform constitution; their methods of procedure were what each found by experience to be the best. They were variously called Boards of Conciliation and Arbitration, Joint Wages Boards, and Joint Committees. Their operations were at first confined to one industry or branch of industry, but after the great Dock Strike of 1889 District Councils were set up, representing the chief employers and trade unions. The first was the London Labour Conciliation and Arbitration Board created in 1890. The efficacy of these boards has been proportionate to the thoroughness of trade union and employers' organizations. It is probable that they have done their best work not in settling disputes which have become critical, but in preventing them from reaching a dangerous stage. It is said that in the coal and iron trades for a series of years seven hundred disputes were annually settled by this means without disturbance. Where the workers and the employers are loosely organized on either side, the soil is not favourable for the growth of

conciliation and the operation of Wages Boards has been less successful.

The Conciliation Act of 1896. The Board of Trade, while recognizing the value of the voluntary principle in these arrangements, was anxious to aid the movement. The Conciliation Act of 1896, which is still in force though strengthened by later legislation, empowered the Board to inquire into the causes of trade disputes, and to offer, though not to enforce, mediation.

The voluntary principle upon which the Act rested was a source of weakness as well as of strength ; it was felt by many to be inadequate to the task of ensuring industrial peace in the new conditions which were arising. Many of the large corporations (e.g. the railway companies) still refused to treat with organizations of workers. In consequence a very large percentage of the disputes of the closing years of the century related to the recognition of trade unions and their right to negotiate on behalf of their members. The growing power of the Trusts and the Taff Vale decision threatened to undermine the claim of the trade unions to equal rights in collective bargaining. In view of this, compulsory arbitration in industrial disputes, with monetary penalties for recalcitrant employers and workmen, was for a time strongly advocated by a section of the Trades Union Congresses.

The Industrial Council. It was becoming clear that as the area of disputes extended, and national stoppages became more frequent and more disturbing to the life of the people, the machinery of conciliation would have to be improved. The railway dispute of 1907 called for the intervention of the Board of Trade, and, as a result, standing arbitration boards were set up on an elaborate system to regulate conditions of labour over the whole of the industry. In consequence of the strike fever of 1912, Parliament created an Industrial Council with Sir George (now Lord)

Askwith as Chief Industrial Commissioner. Until the Munitions Act of 1915 attempted in vain to establish compulsion, the Council did excellent work in bringing disputants together.

§ TRADE BOARDS

The Trade Boards Act of 1909. Where discipline was powerful on both sides and there were accredited agents for all parties, mediation was a fairly easy task; but something had to be done also for unorganized industries, where the conditions approximated to "sweating." The Trade Boards Act of 1909 had these in view. Wherever wages were exceptionally low, Boards representing employers and workpeople in equal numbers, with some nominated members, were created, with authority to fix minimum rates for time work and piece work. Beginning with women and home-workers engaged in chain-making, lace-making, tailoring and box-making, the Trade Boards Acts were afterwards extended to many other industries.

By the end of the Great War the principle of State regulation of wages was fully established. By the Coal Mines Act of 1912, district boards composed of representatives of workers and of employers were set up to determine minimum rates for underground workers. The various Munitions of War Acts (1915-17) established tribunals with power to make binding awards for workers in "controlled" establishments, or authorized the Minister of Munitions to fix certain wages by Order. The next step was to provide that an award which applied to a majority of workers should be binding "on all or any other employers so engaged." Under the Corn Production Act of 1917, an Agricultural Wages Board was established and a minimum wage of 25s. per week prescribed. The second Whitley Report recommended an extension of Trade Boards to less organized trades, and in particular to certain

branches of industry employing a large proportion of women. It was feared that the dismissal of large numbers of women workers from munition factories after the war might encourage sweating. Accordingly the Minister of Labour, exercising his powers in stimulating the setting up of new Trade Boards under the Act of 1918, considered the degree of organization rather than the rate of wages paid. In these circumstances the setting up of a Trade Board did not carry with it any implication that the industry concerned was actually "sweated." Sometimes the better employers took the first step towards setting up the machinery, hoping that thereby the unfair competition of the bad employer would be eliminated. With a Trade Board at work undercutting became impossible.

The spread of Trade Boards over the whole field of industry has been one of the most striking features of industrial progress during the last six years. Fifteen new Boards were set up in 1919, thirty-four were added in 1920, and three more in 1921, making a total of sixty-three Boards covering thirty-nine trades, governing the wages of approximately three million workers in the United Kingdom at the end of 1922.¹

The principal aims of the Trade Boards as set forth when the amending Act was passed in 1918 have undoubtedly been achieved. They have created instruments of self-government in poorly-organized trades ; they have operated to prevent too sudden wage reductions after the war ; and they afford a guarantee that wages will be adjusted on a fair basis in future. Women workers, being less organized than men, have benefited most. The higher wages and better conditions have reacted strongly upon these sweated industries. They have stimulated the growth of trade unionism. The workers have been able to spare a few of their surplus pence and a little of their new-won leisure for

¹ Sells, *The British Trade Boards System*, pp. 5-6.

the support of their unions. The least efficient employers have been driven out, and the remainder have been compelled to improve their business organization.

Report of the Cave Committee. The institution of a Trade Board has usually stimulated association on the side both of the employers and of the workers, particularly where craft organization is stronger than industrial unionism or federation on a wide basis. But much of the impetus towards combination was neutralized by the unfavourable conditions after 1920, when bad trade and consequent widespread unemployment reduced the strength of the unions, made the task of existing Boards very difficult, and hindered the setting up of new ones. During the slump, opposition to the Trade Boards came from employers suffering severely from the depression, and from a section of the Trades Union Congress, which feared a loss of influence in wage bargaining. Difficulties arose also between the Ministry of Labour and the Trade Boards.

In consequence a committee was appointed in 1921, under the chairmanship of Viscount Cave, to inquire whether any changes were desirable. The report of the Cave Committee, while it suggested certain reforms, advocated the continuance of the Boards. They had done useful work by abolishing the grosser forms of underpayment, particularly as regards women; they had protected good employers from unscrupulous competition; they had led to improvements in working methods, and to better relations between employers and employed. On the other hand, the Committee found that the Trade Boards had contributed to the prevailing unemployment. By fixing minimum rates too high, they had caused reductions of staffs and closing down of workshops and had given favourable openings to the foreign producer. The diversity of rates and the multiplicity of Boards had caused friction and confusion, while delay in revising rates

had caused hardship and loss. The effect of the recommendations which followed was to transfer much of the power of the Boards to the Ministry of Labour, to limit their action to the fixing of the minimum for the lowest paid class of worker in each industry, and to restrict the setting-up of Boards, as under the original Act of 1909, to trades in which the prevailing rate of wages was unduly low as compared with those in other employments.

The National Minimum. The operation of the Trade Boards introduced a revolutionary change into the economics of industry. For the first time a wage principle was enforced which had no reference to the forces of demand and supply in the factors of production, the strength of bargaining power, and the "higgling of the market." The wage was based not on an economic estimate of what the industry could afford, but on a social estimate of what would ensure a minimum standard of life for those engaged in it. The principle received a new application in the establishment of a minimum wage for coal miners in 1912. As the miners were highly organized, and their customary rate of wages was then rather above than below the average, this concession was not claimed or justified merely on grounds of social equity. It was regarded as a first step towards the setting up of a general minimum wage. In 1924 Parliament adopted a resolution embodying the principle of a universal minimum wage—the "National Minimum."

Whitley Councils. Among the schemes for the reconstruction of industry after the war, none was regarded as more vital than that of the Whitley Committee,¹ issued in 1917. The Committee applied itself to the difficult problem of the relations between employers and workers

¹ The Committee, representing the Government, employers, and workers, was presided over by Mr. J. H. Whitley, Speaker of the House of Commons.

in trades which had representative organizations on both sides. The weakness of the earlier Boards of Conciliation and Industrial Councils was that they began to operate after, and not before, conflicting interests had reached an acute stage. The merit of the new proposal was that it set up non-stop machinery of conciliation. It had been recognized that industrial unrest arose largely out of mutual suspicion, the child of ignorance. To allay this suspicion it was proposed that there should be afforded opportunities of discussion on the problems of the industry, both external and internal, between elected representatives of employers and workers. National Industrial Councils were to be set up for each trade to consider the well-being of all those connected with it. In affiliation with these there were District Councils, composed of representatives of employers' associations and of trade unions. Moreover, in the factories there were Works Committees representing the management and workers. It was intended that the Whitley Councils should function in close co-operation with the trade unions. Where the workers were unorganized, the control of conditions, including the fixing of minimum wages, was to be left to the Trade Boards, and to this end the amending Act of 1918 was passed to add to the ordinary duties of the Trade Boards several of the functions of the Whitley Councils in the better-organized industries.

Although Whitleyism spread rapidly—by 1921 there were seventy-one Joint Councils in operation, representing 3,300,000 workers,¹—the movement proved most successful in the less highly organized groups. In the more highly organized the Trade Unions were perhaps reluctant to assist in setting up what might become a rival organization to represent the worker's point of view. No Whitley Councils exist in some of the most important industries,

¹ de Montmorency, *British and Continental Labour Policy*, p. 466.

such as mining, engineering, shipbuilding, transport, the cotton trade, and agriculture.¹ In these the resistance of trade union leaders was strong enough to check the movement. Some of the most successful work of the Whitley Councils has been carried out in the Civil Service, which offers probably the most fertile soil for the growth of the principle of joint control.

The net result of these strivings towards a *modus vivendi* has been to narrow down the possible causes of industrial disputes. Legislation has secured for labour the universal recognition of many fundamental rights about which the contests of the nineteenth century were fought. The right of Trade Unions to speak and act on behalf of their members is no longer disputed. Minimum standards have been set up for wages, hours, conditions, and are no longer assailed. But the steady advance of society in material comforts and the changing social outlook preclude any final solution of the problem of distribution. The "living wage" is relative always to a traditional level of consumption in the members of a trade or profession, and to the level of prices. These standards are continually changing. This being so, recent wage agreements have emphasized the aspect of real wages at the expense of money wages, and a wage system based on the index numbers of the cost of living, which was applied so generally during the Great War in the form of war bonuses, has survived in many departments of industry.

§ DECONTROL

The principle of a wage system based on the cost of living was not immediately abandoned on the termination of the war, but early in 1920 a start was made in the restoration of normal conditions. The problem was how best to decontrol industry and commerce, and bring back

¹ de Montmorency, *British and Continental Labour Policy*, p. 467.

the agents of production into the play of the economic forces of supply and demand.

There were many considerations to which due weight had to be given. Many industries had been abnormally stimulated by demands for material of war, while others had seriously declined. Among the former, engineering, ironfounding, shipbuilding, railways, and coal mining had absorbed more than their normal share of labour. On the other hand, there had been an almost complete cessation of activity in the building and constructional industries. Where industries had expanded, the trade unions had reluctantly agreed to waive their privileges and to admit a certain number of "dilutees." After the war these industries found themselves in consequence under the necessity of eliminating the excess of the unskilled or partially-trained workers, including a large number of women and juveniles. The war conditions had made it possible to organize the unskilled workers into strong unions, and enabled them to secure wage advances which considerably lessened the disparity which existed between the rates for skilled and unskilled labour in pre-war times. The general effect of State regulation of wages on a cost of living basis, and of Trade Board Control, tended in the same direction. The presence of many untrained workers in skilled occupations after decontrol, and in a falling market, since it operated to drag down the standards for the trained workers, has not been without bearing on the industrial unrest of recent years.

CHAPTER VIII

INDUSTRIAL WELFARE

THE history of factory legislation in England begins with Peel's Health and Morals Act of 1802, enacted in the interest of children apprenticed in the cotton mills. This was extended in 1819 to non-apprenticed children. The Factory Act of 1833, the first fruits of the labours of Lord Ashley (afterwards Earl of Shaftesbury) on behalf of factory workers, applied to all textile establishments, silk factories only excepted, fixing minimum hours for all workers under eighteen years of age, and providing for the appointment of four inspectors. The following years were filled with the agitation for the ten-hour day and the extension of the existing regulations from factories (as originally defined) to mines and other industrial establishments. By the Ten Hours Bill, which became law in 1847, the maximum number of working hours for women and "young persons," that is, all below the age of eighteen, became fifty-eight a week. There was no legal restriction of the hours of labour for adult men, although it was expected that the shorter working day for women and children occupied as machine-tenders and helpers would make the employment of men for longer hours impracticable or unremunerative.

The Act was all but nullified by the relay system. The legal hours of daily labour for women and young persons having been reduced from twelve to ten, the work was organized in shifts or relays over the period from 5.30 a.m. to 8.30 p.m. Since machinery could thus be kept going for fifteen hours a day, the adult male worker got no relief. Even for women and young persons the change was often

a curse rather than a blessing, for the day's work might be divided into two portions with an interval of some hours spent in wearisome and uncomfortable idleness, for which no proper accommodation had to be provided by the employer. In consequence, a later Act (1850) made the working day for women and young persons coincide with the legal period of employment, allowance being made for meal times. But there was still no normal day for young children. After mothers and elder brothers and sisters had left the factory for the day, the younger ones might remain tending the machines as long as the men were at work. In 1853 the provision as to the normal day (6 a.m. to 6 p.m.) was extended to children, and at last the adult male operatives secured in this indirect manner the boon of the ten hours' day.

§ FACTORIES AND WORKSHOPS

Hitherto, legislation on the subject of industrial conditions had turned for the most part on a purely arbitrary distinction between factories and workshops, and the application of the Factory Acts of 1802, 1833, and 1847 was limited to places where motive power was used and where more than fifty workpeople were employed, some of these being women and children. If no motive power were used, or only male adult workers employed, there was complete exemption from all regulation. Places where fewer than fifty workpeople, including some women and children, were employed, were called workshops. The need for regulating conditions in workshops was urged time after time in the reports of the Factory Inspectors, who found themselves baulked at every turn by the shifts and subterfuges of employers trying to conceal the fact that they employed women and children, or more than fifty workpeople in all. We read of women and children being hurried out at the back door, while the Factory

Inspector appeared at the front. Large employers had just ground for complaint when the labour of women or children whom they were not permitted to employ could be exploited by smaller competitors in the same street without let or hindrance.

Workshops Regulation Act. In consequence, the Workshops Regulation Act of 1867 was passed. It was a timorous measure, and being permissive and not mandatory, remained a dead letter. The Factory Inspectors were too few to make their influence felt. The attitude of the local authorities, usually controlled by men who still believed in the gospel of industrial freedom, and thought no good could come of State regulation, was hostile. Few men would incur the unpopularity which an attempt to get the provisions of the Act adopted would certainly bring upon them.

Probably at this time the influence of *laissez-faire* doctrines was weakening in Parliament more quickly than among those who were responsible for local government. For some time past discussions on factory conditions had proceeded on other than party lines. "Why are we mill-owners," said John Bright, "to be selected as subjects of interference?" Nassau Senior based his attack on the Ten Hours Bill not on the philosophical doctrine of individual freedom but on the economic argument that all profit was made in the last hour. To reduce the working day by one hour, he argued, would be to abolish net profit; to reduce it by an hour and a half would result in the disappearance of gross profit. There would be no fund to replace the wastage of fixed capital, and industry would decline. The argument of Robert Owen that shorter hours might give increased output seemed for the moment to have been forgotten.

On the whole, the contest may be said to have been waged by the landed interest as a war of reprisals on the

manufacturers for the damage inflicted on them by the repeal of the Corn Laws. "Factory legislation" was the Tory counterblast to the Liberal slogan of "Free Trade." It is curious to note that since the 'eighties there has been on both sides something of a "face about." The Liberals have definitely identified themselves with a collectivist view of the State, which arose out of Tory experiments in social reform, while the Conservatives to-day stress the individualist attitude which used to characterize the early Victorian Liberals.

The Individualist Attitude. It is not easy to enter into the mind of the employer whose impulses were generous, but who, nevertheless, accepted the conditions of unregulated industry as part of a divinely ordained order of existence. He might be often personally benevolent, in private life gentle and sincerely religious, and in public life actuated by high ideals. Yet it never occurred to him to question the justice or expediency or humanity of a system which "kept children of six at work in factories from 5 a.m. to 9 p.m., girls under eight crawling through coal-seams eighteen inches high, boys of four sent up flues seven inches square."¹ He had probably grown up a victim under the same system, but had risen by self-help to a position of independence. It was well that others should, if they had it in them, in the same way have to rise superior to circumstances. At any rate, to interfere with what was ordained by "economic facts" was to court disaster. British industrial supremacy, he argued, was founded on such a system, and interference by Parliament could not in any event improve matters. The population would simply multiply itself down to subsistence level, and the last state would be worse than the first.

The Fifty-four Hours' Week. The programme of the

¹ Master of Balliol, quoted by John Lee, *Principles of Industrial Welfare*, p. 79.

'seventies was to secure a fifty-four hours' week which could be so arranged as to allow of a Saturday half-holiday. The textile operatives, who had the advantage of a long start on other industrial workers in regard to regulation, were already agitating for an eight hours' day, but this was still regarded as a Utopian ideal. Further, some consolidation of the Factory Acts and the Workshops Regulation Acts was urgently necessary, and it was clear that pressure would have to be used to bring reluctant local authorities to a due sense of their obligations. The existing Acts were so riddled with exceptions and exemptions that the task of enforcing the regulations was a matter of the utmost difficulty, and evasion was a fairly easy matter. Moreover, the awakening social conscience which had become suddenly aware of the existence of "sweating" among home workers demanded a further extension of the regulations to cover this most unfortunate class of all. The withdrawal of children from the factories in consequence of the Education Act of 1870 had simplified one factor in the problem, and it was impossible for statesmen to ignore the bearing of the recent enfranchisement of town wage-earners on industrial demands.

Report of the Royal Commission of 1876. In these circumstances, the Royal Commission was set up in 1876 to investigate the whole problem. It was found that the existing regulations ranged themselves on "three planes of strictness or elaboration." The textile factories were in a class by themselves. Then came a variety of trades specially selected to be placed under the Factory Law apart altogether from consideration of the size of the unit, together with all other establishments with over fifty workpeople. The third class comprised all places known as workshops.

Beginning with the third and least regulated class, the Report states that children between eight and thirteen

years of age were permitted to work six and a half hours (possibly in morning and evening shifts) between 6 a.m. and 8 p.m. ; young persons (13 to 18 years) and women, twelve hours (including one and a half hours for meals) between 5 a.m. and 9 p.m. Children employed for the whole week were required to attend school for ten hours, the distribution being left to individual discretion, but there was no compulsion for those employed only for a fraction, however great, of the week. There were certain sanitary regulations, but, although inspectors were permitted to enter and examine the workshops, no compulsory powers or remedies were supplied. Special permission could be got for employing young persons and women for longer periods and beyond the normal limits.

In the second class, the hours of labour were contracted to the period from 6 a.m. to 6 p.m. (in winter, optionally, 7 a.m. to 7 p.m.). The six and a half hours of children's labour must be either all before noon or all after 1 p.m. This made possible school attendance on a half-time system, three hours each day. In special cases, an arrangement of alternate days at factory and school was permitted, the former of ten hours, the latter of five. The provisions for cleanliness, ventilation, fencing of machinery, reporting of accidents, and so forth, were more detailed. But here, too, numerous exemptions were granted, e.g. the recovery of lost time in water mills, the employment of youths by night in iron and glass manufactures, in paper mills, in letterpress printing, and in trades liable to "rush" periods.

In the first class, comprising the textile factories, the lower age limit of employment was ten years. The age at which a child became a "young person" was raised from 13 to 14 years, unless the child passed a school-leaving examination. The limits of the day's work were 6 a.m. to 6 p.m. or 7 a.m. to 7 p.m. as preferred. The intervals

for meals and rest within the twelve hours were increased from one and a half to two hours, leaving ten hours of actual labour. The maximum spell was reduced from five hours to four and a half. No modifications were permitted in any factory of this class.

It was stated that the grievances which existed generally under the state of the law in 1876 were those which affected the hours of labour, the age of employment, and the school attendance of children, and that these arose principally out of the different definitions of factory and workshop. There seemed no logical reason why the regulations should be deliberately made less stringent in the smaller places of work where, in proportion as there were greater facilities for escaping observation, they were all the more necessary to enforce. This differentiation was having the undesired effect of driving children away from the well-regulated establishments to those where legal restrictions were fewer. The former complained of a shortage of labour, while the latter were in a position to take advantage of the flood to reduce wages to a very low level.

The list of recommendations set forth in the Report of the Royal Commission ran to 113 clauses. "Workshops" were to be assimilated to "factories," and the definition of the latter was to be extended to include many places such as canal boats, not previously contemplated by the law. Exemptions were to be granted, if at all, not to individual employers, but to whole trades. It was not proposed to make any change in the length of the working day for children, young persons and women, but the age for half-time employment of children was to be raised to ten. Here the language of the report is sadly significant: "It is not too much to say that the time seems ripe for asserting the principle that education, not work, ought to be the business of a child up to the age of at least 10 years." We can but marvel to-day that such a principle

couched, moreover, in such carefully measured terms, should need asserting. Half-time attendance at school after that age was to be in general in the mornings or afternoons, week and week about. It was considered that some provision for enforcing attendance was essential, for without it the existing factory system was, on the educational side, hopelessly inefficient. Instead of an examination test for release at 13, an attendance test was to be substituted. The list of exceptions to meet special circumstances was considerably narrowed down.

Factory and Workshop Act, 1878. The Report was followed by the Factory and Workshop Act of 1878, embodying most of these recommendations. In place of the arbitrary distinction of size between a factory and a workshop, a factory was now defined as premises where mechanical power was used to aid production. Conditions in factories and workshops were brought into line, except that in textile factories, the normal day continued to be rather shorter than in others. The striking weakness of the Act was in regard to women's workshops (where no children or young persons were employed) and to domestic workshops. Here the limits of the working day were fixed as from 6 a.m. to 9 p.m., within which fifteen hours ten and a half only might be spent in labour. Earlier experience and the evidence of the inspectors might have taught the framers of the Act the practical impossibility of checking evasion of this condition.

From the standpoint of to-day, the list of exemptions was still far too long, and we are struck by the absence of any reference to what ought to be considered a normal day for the male worker. To this extent earlier political and economic notions still held sway: the adult man was considered capable of deciding for himself how long he was prepared to work and what risks to life and limb he was prepared to run.

Dangerous Trades. Since the Factory and Workshop Act of 1878, the scope of protective legislation has been constantly extended, and its rigour increased by much more efficient administration of the law. Regulation of "factory" conditions has developed into industrial regulation, governing conditions in all employments. In particular, a long series of laws and regulations has been devised to deal with trades certified as dangerous. Before 1870 such protection was afforded only to workers in the pottery and match trades which used white lead and phosphorus, and to those who were liable to lung diseases contracted through breathing dust thrown off in polishing and grinding processes. Since that time regulations for protection against occupational diseases have been issued for cotton mills, india-rubber works, wool-sorting, and lead works. By insisting on improved ventilation and sanitation, regular medical examination, the provision of proper meal-time accommodation, and the use of overalls and head-coverings, by prohibiting or limiting the use of certain harmful chemicals, and similar precautions, the Home Office exercises strict control in the interests of the workers. It has power to extend the operation of the regulations by certifying any occupation to be "dangerous" in which there is a bad health record.

Factory Code of 1901. An important codification of industrial regulation took place in 1901, and is the basis of present administration. The traditional grouping of employees into children, young persons of both sexes (14 to 18 years of age, or 13 to 18 if an examination has been passed), adult women and adult men, is retained, and also the distinction between textile, non-textile, domestic and tenement factories and workshops. For each of these classes (with certain exceptions applying to adult males) there are appropriate restrictions and regulations controlling the normal and exceptional working day, meal-times,

maximum periods of continuous work, overtime, night-work, lighting, ventilation and sanitation, fencing of machinery, holidays and a hundred other matters of detail which are supervised by a growing body of inspectors, including twenty women. The Act provides that each local medical officer of health shall keep up to date a list of workshops in his district and shall include in his annual report a statement showing the proportion he has visited. On the basis of comparisons made possible by such returns, the central authority is able to stimulate the less efficient to emulate the example of the more efficient and assiduous local authorities.

Shop Acts, 1912-13. By the Shop Acts of 1912 and 1913 the protection afforded in factories and workshops to women and minors was extended to shop-assistants, including adult males, who were thereby secured in their enjoyment of a standard week, a weekly half-holiday or its equivalent, adequate intervals for meals, annual holidays with pay, and other improved conditions.

The need for bringing industrial legislation into keeping with modern views and labour conditions as influenced by the war has led to a recent attempt to amend and consolidate the law relating to factories and workshops. The new Factory Bill introduced in 1924 finally abolishes the distinctions made in the Code of 1901, and deals with every work-place under the general term "factory." Whereas the present law permits a twelve-hour day for women and young persons on five days a week with one and a half hours for meals, and eight hours on Saturday with half an hour for meals, it is proposed in the new Bill to limit their working day to nine hours, and their working week to 48 hours. It lays upon the local authorities the duty of carrying on into the period of adolescence the medical examination commenced in the schools, and provides for the issue of certificates of fitness for certain kinds of employment.

§ SWEATED INDUSTRIES

The evils of sweating had been revealed in 1843 by Thomas Hood in his *Song of a Shirt*, and by Charles Kingsley in his novel, *Alton Locke*, published in 1849. In 1886 society was scared by stories of infection from garments made in insanitary workrooms. In the tailoring, shirt-making and boot-making trades, sub-contracting was becoming a common practice in the large towns. The reports of the Factory Inspectors contained numerous references to abominable conditions with which they were powerless to deal under the law as it stood. But it was not until the 'eighties that public interest was fully roused. The Report of a Select Committee of the House of Lords over which Lord Dunraven presided, published in 1888, revealed the system in its naked ugliness.¹ It was shown that statutory regulations for the health and safety of the workers could be enforced with comparative ease in the factories, and that, given a benevolent attitude on the part of the local government authority, the difficulties of regulating workshops were not insurmountable. But for the home-workers the provisions of the Acts were quite inadequate to render any adequate protection against employment under insanitary conditions and for excessive hours. The agitation for reform was led by the Anti-Sweating League, which worked to secure by law a minimum wage and improved conditions for sweated workers. But nothing was done until 1909, when the Trade Boards Act was passed, following the principle successfully adopted in New Zealand and some of the Australian colonies.²

Workmen's Compensation. Until 1880, the only legal remedy open to a workman who in the course of his ordinary employment had suffered bodily injury was a

¹ See the Fifth Report of the Select Committee of the House of Lords on the Sweating System.

² See Chapter VII.

Common Law action in the Courts against his employer, who must be proved guilty of personal negligence. The defence entered by the employer could be based on the worker's consent to run a risk, on his contributory negligence, or on the doctrine of "common employment" (if the injury was caused as a result of the negligence of a fellow-workman), for should a servant suffer injury through the carelessness of his fellow-servants, he had no remedy. The Employers' Liability Act of 1880 modified the rigid interpretation of the Common Law rule in the interests of the workman, and the validity of the plea of "common employment" offered in defence was narrowly limited. The Workmen's Compensation Act of 1897 forbade the practice of "contracting out" (that is, an agreement between workman and employer that no compensation should be claimed for personal injuries), and introduced an entirely new principle in addition. The Act imposed a liability upon the employer to pay compensation to an injured workman or to the dependents of a workman who had been killed, quite independently of the question whether or not there had been negligence on the part of the master or of anyone employed by him.

The Workmen's Compensation Act at first applied only to the more dangerous trades which it specified, but in 1900 it was extended to agriculture. In 1906 an amending Act included all workpeople not expressly excluded, and was extended in scope to cover industrial diseases as well as accidents. To meet their obligations under the Act, employers resorted to voluntary mutual insurance. In 1920 a Departmental Committee of the Board of Trade considered the question of organizing a State system of mutual insurance, and finally recommended that the State should control, but not manage, the business of insurance against industrial risks.

CHAPTER IX

THE LABOUR MOVEMENT

THE numerous Acts of Parliament of the eighteenth century regulating wages, conditions of labour, and processes, and subjecting to the law of conspiracy any combination of workmen who tried to modify these, afford sufficient proof that there were even then many wage-earners who sought strength in unity. The workers in the newer industries combined to urge that the provisions of Elizabeth's Statute of Apprentices should be extended to cover themselves, while those in the older trades, anxiously watching the trend of events in the latter part of the century, were concerned lest these provisions should be allowed to fall into desuetude. It was, in fact, becoming increasingly difficult to bring the rapidly-changing conditions of industry at the end of the eighteenth century within the provisions of the ancient statute, and the prevailing economic doctrine of *laissez-faire* declared that any such attempt would be harmful. "Restraint of trade" was a penal offence at Common Law, and the Courts, fortified by the statutory prohibition against illegal oaths, dealt short shrift to combinations designed to force concessions by means of collective bargaining. But Francis Place organized the agitation for the recognition of trade unions so skilfully and handled the Parliamentary campaign so tactfully, albeit himself in the background, that the Combination Laws were repealed in 1824. Although the Act of 1825 reimposed certain restrictions on freedom of combination, the battle was won. But much was left to the interpretation of the Courts, and since the common law doctrine of restraint of trade and the Oaths Act remained unaltered, it was, even as late as 1834, still possible for the Government

“ to swoop down upon the Dorchester Labourers in the village of Tolpuddle and convert the harmless ritual of a few wretched labourers into a landmark in the history of trade unionism.”¹

§ EARLY TRADE UNIONISM

Trade Unionism—Old Style. For nearly half a century the unions had no legal status and enjoyed no protection under the law. They could not hold property nor could they sue for debts or defalcations. Friendly Societies were so protected, and when the Amalgamated Society of Engineers was formed in 1850, its founders, by omitting from its rules all reference to industrial disputes and strikes, secured recognition as a friendly society and became a pattern for other unions formed during the next twenty years. Political aims became subordinate; and the trade unions of this time ceased to follow the mirage of the General Strike on which all eyes had been set in the 'thirties and the 'forties.

Their leaders formed the steady-going respectable Old Gang, as they came to be called when the times had changed. They laid great stress on their provident benefits, built up strong reserves, and pursued a cautious policy. They were associations of skilled men who acknowledged no community of interest with the unskilled. They represented the conservative element among the workers, reluctant to risk their funds by strikes whose issue was problematic, accepting without question the prevailing competitive and capitalistic organization of industry and the determination of the wage contract by the purely economic equation of supply and demand. Militant action was therefore denounced as wasteful and injurious in the long run. The unions of this period, under the influence of the pessimistic doctrine of the “wages fund”

¹ Fay, *Life and Labour in the Nineteenth Century* p. 200.

and the "iron law of wages," voted money for emigration in the hope of gaining an advantage by the artificial creation of a labour scarcity. They applied also the teachings of self-help and mutual aid by the establishment of self-governing workshops, which might absorb the labour which was displaced by the substitution of machinery or was idle on account of industrial disputes.

Neither method brought the relief that was expected. Emigration deprived the unions of the most enterprising and intelligent of their members, and the effect on the labour supply, when population was increasing so rapidly, was simply negligible. It is not surprising that, lacking business training and capital, those who managed the workshops speedily came to grief, and very few survived longer than a few months. Nevertheless, the leaders of the trade unions were themselves so completely under the influence of the individualistic conception of industry and society that they did not question the validity of the "laws" of orthodox political economy, entrusted their economic and social salvation first to the Tory philanthropists and then to the Radicals, and deprecated any such violent tampering with the delicate structure of industry as the agitation for the Nine Hours' Day in 1871 seemed to involve. But however mistaken they were in their methods, they were gaining practical knowledge of the principles of collective action and democratic control.

§ THE LEGALIZATION OF TRADE UNIONS

The change in the general political and industrial atmosphere in the period of the Second Reform Bill was marked by the repeal of the Master and Servants Act, and by the substitution of the Employers and Workmen's Act (the change in terminology is significant), whereby breach of contract on the part of a workman became, as it had always been for an employer, a civil and not a criminal wrong.

Some progress in the internal organization of the unions had been achieved in the 'sixties, and the findings of the Royal Commission of 1867 into the Organization and Rules of Trade Societies led to the legislation of 1871-80, making for their greater security. The decision of the judges in the case of *Hornsby v. Close* in 1867 had spread considerable alarm among the "provident" trade unions. They found that the security they thought they enjoyed under the Friendly Societies Act was most uncertain. An agitation arose and the Minority Report of the Royal Commission, issued in 1869, led finally to the Trade Union Act of 1871. By this Act the funds and property of associations of workers were adequately safeguarded. They could now recover moneys of which they might be defrauded by defaulting agents, and they could acquire a legal title to property. Moreover, it now seemed that they were not liable to be sued or proceeded against in a court of law in respect of any matter arising out of their internal organization. The Act declared that the purposes of any trade union should not, by reason merely that they were in restraint of trade, be deemed unlawful. But another section, while acknowledging the right of every man to get the best possible price for his work, deprecated the exercise of undue influence on those who chose to work for less. Further restraints were imposed by a measure passed at the same time, viz., the Criminal Law Amendment Act, drafted as a separate Bill in order that the agreed portion of the reform contained in the major Act should not be jeopardized.

The effect of the Criminal Law Amendment Act was to extend the meaning of conspiracy to cover many actions which in times of trade disputes might be necessary if the advantages of collective bargaining were to be secured. The consequence was that while trade unions were legalized, the only methods open to them to secure their objects

were proscribed. The main principle was conceded, the corollary which flowed from it was illogically denied. The net effect was simply to reimpose the legal disabilities of trade unionists in a different form, and a campaign of passive resistance began, many of the largest associations of workers refusing to register themselves in the manner prescribed by the Act.¹

The agitation was successful and the demands of the unions were fully met by the repeal of the offending Act and the passing of the Conspiracy and Protection of Property Act of 1875. This Act expressly forbade violence and intimidation, but, as it was then generally interpreted, permitted peaceful picketing. There was still a doubt about the implications of the phrase "watching and besetting," and it was easy for an unsympathetic magistrate to give it such an extended application as to make even peaceful picketing a criminal offence. Nevertheless the struggle for the legal recognition of the principle of collective bargaining was at last settled. The position now was that no act henceforth committed by, say, a group of carpenters acting in association was criminal unless it were a crime when committed by any one of them acting alone.

The Development of Trade Unionism. The advance movement was aided by the general improvement in the industrial situation. There is a clear relation between the state of trade and the prosperity of trade unions. According to the Board of Trade Labour Reports the period of good trade during 1870-75 showed an advance of over 9,000 in the membership of the Amalgamated Society of Engineers. The advance was only 660 in the bad years 1875-80, but increased to 7,597 in the fairly good years 1880-85. The iron founders lost 1,600 members in the bad quinquennium preceding 1870, but gained 3,342 in the good

¹ *Board of Trade Labour Dept., Report on Trade Unions, 1886-90, p. 97.*

quinquennium which succeeded. During the boom many new societies were formed and the tendency to consolidation of the labour position resulted in the establishment of Trade Councils in the towns, National Federations, Amalgamated Societies, the Trade Union Congress (which by 1874 represented over a million workmen) and the International Working Men's Association. They were fortified by the spread of the economic doctrines of Karl Marx, whose book, *Das Kapital*, had been published in 1867. This regimented army was able to secure for itself a share in the general prosperity, and to win, in a favourable moment for bargaining, many concessions—higher wages, shorter hours, and better conditions of employment. These concessions were not all secured without many struggles, but the unions, now enjoying an improved legal status, took up the offensive more boldly and confidently. The growing power of the trade unions led to the formation in 1873 of the National Federation of Employers to consolidate the interests of Capital against the advance of Labour.

The strikes of the succeeding period, during which the tide of prosperity was fast ebbing, were exceedingly bitter. The unions were again on the defensive, endeavouring to hold the ground they had won and to check reaction. But with a growing mass of unemployed members eating into their accumulated funds, with declining trade, and diminished activity in every direction, their resources were strained to the utmost.

§ THE OLD AND THE NEW UNIONISM.

The Congresses of this time resounded with the clash of the old and the new idealism. The adherents of the former school held to their eminently respectable provident funds patiently built up by workmen in the skilled occupations; while those of the latter, flinging caution to the winds, and

refusing to be trammelled by complicated rules and the humdrum business of looking after large accumulations, called for a militant policy. Trade unionism could no longer be confined to the skilled trades, but the unskilled and casual labourer must also be allowed to assert a claim to a living wage and reasonable conditions. His right to defend himself against the depression of his standard of life could no longer be denied.

The conscience of the nation had been recently quickened by the revelations contained in Charles Booth's account of his investigations into the life and labour of the workers of London. He pointed out the wasteful cruelty of an industrial system which was based upon the existence of reserves of casual labourers. At the London Docks hardly one in four was in regular employment; the remainder competed for occasional work and lived in the most abject poverty and degradation, sullenly resentful or ignorantly indifferent. There was, in 1887, no union among Thames labourers, and the only relief in seasons of severe unemployment came from the Mansion House Funds.

A futile attempt had been made in 1886 by Ben Tillett to get rid of the worst evils of casual employment at the East London Docks by combined action. Greater success was achieved among the London gas workers and general labourers, who quickly secured an eight hours' day in 1889. Another campaign among the dockers, led by Tom Mann and John Burns, finally roused them to action and won for the new unionism its first triumph. The methods which were adopted ran counter to the traditional principles of trade unionism. The strike had given the impulse and occasion for union, not *vice versa*. The Dockers' Union had no "friendly society" funds, and the only money benefit held out was a small strike allowance. The new strategy was to aim a short, sharp blow when the circumstances of trade were propitious. In regard to

business methods the new unionism had no doubt much to learn from the old, but it was the expression of a higher idealism and a more comprehensive policy for the uplifting of the masses who constituted the industrial residuum.¹

The new unions, with their low contributions,² their political aims and their fighting spirit, grew rapidly. Their leaders were encouraged to urge upon the Trade Union Congresses from 1889-1894 the adoption of the policy of the eight hours' day, the minimum wage, land nationalization, the extension of the franchise, and independent parliamentary representation of labour. This policy of "thorough" led to the secession of the Amalgamated Society of Engineers. At the same time the Independent Labour Party constituted itself the driving force and displaced the Social Democratic Federation from its position at the head of the Labour movement.

It too often happened in the earlier days of trade unionism that a sudden rise of enthusiasm was followed by a rapid descent into indifference. Under the momentary influence of fiery oratory working on a diffused sense of social injustice, thousands might flock to the banner. But with the passing of the immediate stimulus, the fervour cooled, and the new recruits fell rapidly away. To prevent such wasteful relapses, careful organization was needed on the broadest plane. The trade unions had to grow from local to national organs, and had to develop functions that would provide useful and permanent outlets for the enthusiasm of their members. Since no permanent organizations could be built up except on a high level of intelligence in the rank and file, the educational side of trade union activity was seen to be vitally important, and in more recent years, in view of the rise of Labour to the

¹ Llewelyn Smith and Nash, *The Dockers' Strike*, p. 167.

² Dockers' Union entrance fee 2s. 6d., weekly contribution 2d.

position of one of the great political parties in the State, this matter has received increasing attention.

From 1880 the tendency towards the federation and amalgamation of unions on a national basis proceeded rapidly. Labour, to present a solid front, and to assert with greater power its right of collective bargaining, endeavoured to organize its local and district societies into national unions and to break down the jealous exclusiveness of the numerous subordinate trades within an industry by uniting them in a community of interest. The statistics of the movement show a noticeable tendency for the number of unions to decrease even when the total membership is increasing. In 1896 there were 1,294 separate registered unions with a membership of 1,502,000. In 1903 there were 1,166 with a membership of 1,902,000. A further step towards consolidating the Labour position was taken in 1899 by the formation of the General Federation of Trade Unions, one of its objects being the pooling of resources during strikes and lock-outs.

With the exception of 1908, each year from 1901 onwards showed an increase in the volume of foreign trade. Consequently, in the five or six years immediately preceding the war, unemployment among trade unionists almost reached vanishing point. The membership of the unions was rapidly growing, and the moment was propitious for another forward move. At this time we find that the number of trade unions affiliated to the Labour Party was decreasing. The advocates of "direct action" began to point to the futility of parliamentary action which had proved incapable of securing any appreciable advance in the economic status of labour. The more political action was curtailed, the more readily was the weapon of the strike seized. The fight opened with a demand for the fuller recognition of the unions and their officials by employers. The unrest culminated in the great strike-fever of 1911 and 1912, when

the number of disputes was twice as large as the average for the preceding ten years, and their range, as measured by the number of persons affected, enormously greater. During the years 1890-1909 the average number of workers affected by strikes and lock-outs was 136,000. This number rose during the "great unrest" as follows—

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|------------|---------|--|------------|-----------|
| 1910 . . . | 385,000 | | 1912 . . . | 1,233,000 |
| 1911 . . . | 881,000 | | 1913 . . . | 516,000 |

Feeling, too, was more bitter. The conflicts were exceptionally intense, and there was a stronger disposition than had previously been shown towards sympathetic action by unions not directly concerned. First, the Dockers, the Seamen, and the Transport Workers, including numerous secondary groups, then the Railwaymen, and finally the Miners won concessions, which not only increased wages but introduced entirely new principles into the methods of industrial conciliation.

Before trade unions could develop on national lines they had to enlist the service of trained administrators with wide knowledge of men and affairs, capacity for leadership, sincerity of purpose, and high ideals. The enthusiasm of the casual and irresponsible agitator was useless for the wider problems. These called rather for the level-headed and resourceful organizer with business experience and a "political" mind. Efficient administration demanded full-time officials. During the last fifty years a permanent "civil service" has been built up within the trade union organizations, which bear in their essential features a sufficiently close resemblance to our parliamentary institutions. The principle of representation has been adopted, with a yet more democratic franchise. The problem of the control of a professional bureaucracy by the elected representatives presents similar difficulties. Each large union has its cabinet to decide the general lines of policy. Trade unionism has thus followed the general

trend of the age in the direction of establishing central control, while leaving sufficient local autonomy to secure a due sense of responsibility in the individual member, and an interest in efficient management. Trade unionism in its two aspects as a political and an industrial organization thus supplies a parallel with parliamentary and local government on the one hand and with large-scale business organization on the other.

The growth of the large scale business has resulted in a changed attitude towards labour combination. The fact of trade unionism is now not only accepted, but on the whole welcomed. At first sight it may appear that the activity of the trade unions has brought instability and insecurity and strife into the industrial world. But there is another aspect of the matter which should receive at least equal attention. The fixing of universal wage rates has protected the good employer against the unfair competition of the bad. Industrial treaties usually contain a time clause which guarantees peace for a sufficiently long period to enable the commercial entrepreneur to plan ahead and to concentrate his attention on other matters. Further, there is no doubt that the average employer has welcomed trade unionism as a disciplinary force. It relieves him of the inconvenience of dealing with the individual workman, and offers an easy and impersonal solution of many a difficult problem within the workshop. Hostility towards workers' associations survives to-day as a rule only in the smaller firms.

§ THE INTERNATIONALS

From the days of the Chartists there had existed among the thinking section of the Labour movement in Great Britain a sympathy with progressive movements in other countries. Because their sufferings assisted the cause of the abolition of slavery in the United States of America,

the Lancashire textile operatives bore without grumbling the serious losses entailed upon them by the Cotton Famine in the 'sixties. There was a widespread sympathy with the aspirations of the Poles and of the Italians towards democratic institutions and political independence. The liberators of other lands from despotic rule or foreign domination always found in this country ready encouragement in the shape of money and volunteer aid for their enterprises, and if perchance their plans miscarried we provided them with a warm shelter in their exile.

The sense of universal brotherhood which leaped the frontier barriers of the political States and united the peoples in a community of interest and aspiration was a heritage from the French Revolution. It was a prominent element in Chartism, and found expression once again in the International Working Men's Association founded in London in 1864. The object of the International was to consolidate the working class movement of the various countries, to throw a greater weight of opinion into their demands for economic justice in all countries, and to confront the organized forces of international capital with those of international labour.

The First International. The constitution of this First International was drafted by Karl Marx (1818-1883), and he defined its aims. "The emancipation of the working classes must be achieved by the working classes themselves. The struggle for that emancipation means not a struggle for class privileges and monopolies, but for equal rights and duties, and the abolition of all class rule. The economic subjection of the man of labour to the monopolizer of the means of production or the sources of life is the foundation of servitude in all its forms, of all social misery, mental degradation, and political dependence. The economic emancipation of the working classes is, therefore, the great end to which every political movement ought to be

subordinated as a means. The emancipation of labour is neither a local nor a national, but a social, problem, embracing all countries in which modern society exists, and depending for its solution on the concurrence, practical and theoretical, of the most advanced countries."¹ Subsequent meetings were held at Geneva, Lausanne, Brussels, Basle and the Hague, at which resolutions were passed in favour of the eight hours' day, land nationalization, the general strike in the event of war, and the public ownership and control of the means of production and transport. A struggle ensued between two sections of thought—the Communistic inspired by Proudhon with an anarchistic programme, and the Socialistic following the lead of Marx with a political programme. The British trade unions gradually withdrew from active participation as the revolutionary elements became more aggressive. Finally, the bloodshed of the Paris commune in 1871 alarmed the moderates and led to the expulsion of the extremists, but the struggle proved fatal to the victors and the last feeble congress of the First International was held in Geneva in 1873.

The Second International. The movement revived in 1889 when *La Nouvelle Internationale* was founded in Paris. The anarchist trouble broke out again, but at the London Congress of 1896 the International Socialist movement definitely declared for political action and rejected revolution. Until the outbreak of the Great War, meetings were held every three years, at which the international aspects of Socialism were discussed, and resolutions passed on topics of common interest such as the franchise, labour legislation, unemployment, tariffs, emigration laws, armaments, and military service. A permanent Bureau was established at Brussels in 1900 to carry on the work of investigation and propaganda during the intervals.

¹ Beer, *History of British Socialism*, p. 217.

The Congress at Copenhagen in 1910 rejected the proposal of a general strike to prevent war, although the members pledged themselves to use every effort to hinder it. Should war nevertheless break out, their duty was "to intervene to bring it promptly to an end and with all their energies to use the political and economic crisis created by the war to rouse the masses of the people from their slumbers and to hasten the fall of capitalist domination."

The resolution did not make due allowance for the compelling force of the national will to war. When hostilities broke out in 1914, nearly all the official political Labour parties seceded from the Second International and took up the national standpoint, leaving it to smaller groups (e.g. the Independent Labour Party) to continue the International. The difference in the attitude of the two groups towards the war corresponded to a difference of principle which had always been present in the discussions of the Congress. On the part of one group refusal to co-operate in the war implied a complete break with the capitalistic state; the patriotic Socialists, although denounced for dereliction of duty, threw all their energies into the task of organizing for victory, and were represented in the Coalition War Cabinet.

The Third International. The logic of events carried the former group onwards after the Russian Revolution to the Third International centred in Moscow with its programme of revolutionary communism. Meanwhile, at the Berne Conference of February, 1919, the latter group took up the work of the Second International, which, having been virtually in abeyance since 1914, was now reconstituted as the Right Wing of the Socialist Movement and centred in London. There are thus two rival Internationals in being. The cleavage is mainly along the line of Communism *versus* anti-Communism. On the side of the former are the British Socialist Party and the Socialist Labour

Party in Great Britain ; on the side of the latter is the Parliamentary Labour Party, which during a part of 1924 formed the Government of the country.

§ THE POLITICAL LABOUR MOVEMENT

At first labour politics were more influential in municipal than in national affairs. The subordinate local authorities, created by the Local Government Act of 1871, and the County Councils, created by the Act of 1888, were a school through which many ambitious men graduated in the arts of legislature and administration, while the boroughs and local districts were a testing ground on which numerous social experiments might be watched. " Permissive " Acts of Parliament, e.g. concerning sanitation or housing, were sometimes (even if too seldom) adopted, and the results came to have an important bearing on the course of future legislation. Hitherto trade unionists had sought the agency of the Liberal party to secure social reforms, and the representatives of the miners elected to Parliament in 1874 functioned, not as the embryo of a new and independent political entity, but rather as a special organ of Liberalism.

Labour Representation in Parliament. The Trade Union Congress had frequently debated the policy of Labour representation in Parliament, but for a long time the balance of opinion was adverse. The Labour Representation League, founded in 1869, secured its one success in 1874 with the return of Alexander Macdonald and Thomas Burt, but thenceforward gradually ceased to function. For the moment the Acts of 1875-6 had conceded to Labour its chief demands, and the trade unions could now once again concentrate their attention upon their own development. This fact possibly accounts for the decline of the Labour Representation League.

Not till 1886 did the Trade Union Congress do more than pass resolutions. The difficulty in the way of giving practical effect to them was the cost of maintaining Labour representatives in Parliament. The trade unions would not allow their funds to be used for such a purpose, and it was not yet seriously proposed that the State should pay election expenses and salaries. But the extension of the franchise in 1885 to the labouring classes stimulated the demand for working class representation, and in 1886 the Congress set up a Labour Electoral Committee which in the following year separated itself from the Congress and carried on its work as an independent organization.

One consequence of this absorption of the smaller unions by the larger ones in the same or allied trades and the amalgamation of these was the emergence of a national policy for the industry. As a further inevitable consequence the desire to translate this policy into legislation by parliamentary action was strengthened. A new type of leader arose who urged that the propagation of such a policy, in so far as it was based on a Socialist conception of the State, could not be entrusted to individualistic Liberals; it postulated an independent parliamentary organ of Labour. Defying the traditions of which Henry Broadhurst and Charles Fenwick were the trustees, Keir Hardie at the Trade Union Congresses agitated for independent representation. In the election of 1892, he himself in South-West Ham, together with John Burns in Battersea and J. H. Wilson in Middlesbrough, were successful in winning seats.¹

The New Unionism. The "New Unionism" was gradually acquiring momentum, and the conflicts in the Congresses became more bitter as, with the accession of the representatives of the unions formed by the unskilled workers, the Socialist element grew in numbers. The

¹ Beer, *History of British Socialism*, II, Chap. 15.

two sections were sharply divided over such questions of practical politics as the enforcement of an Eight Hours' Day and the raising of a Parliamentary Levy, but the difference went in reality much deeper. They were fundamentally divided in principle.

The Left or Independent party drew its inspiration from Socialism and its economics from Marx. Its programme included the collective ownership and control of the means of production to be achieved by legislative action, far-reaching social reforms, and a further extension of the franchise. The Liberal-Labour Party were also strong advocates of an extended franchise and of social reforms, and favoured also collective ownership of many public services which were in their nature monopolistic. But there was a strain of individualism running through their habit of thought, which restrained them from accepting the full programme of Socialism. They could not rid themselves of a notion that Socialist politics were foreign, and to them the demand for separate representation savoured of revolution and class warfare. But Liberalism was becoming absorbed in the question of Home Rule, which Gladstone said was the only reform which kept him in active public life. It was being elbowed away from its proper sphere of social reform, the most important measures of which were due to the Conservatives (e.g. the County Councils Act of 1888, and the Free Education Act of 1891). Trade unionism was finding itself, therefore, yoked with a fellow preoccupied with matters of only subordinate interest to itself, and inclined to pull the chariot of progress across the path. The main struggles of this time were centred about working conditions and "recognition." For the moment wage demands were few. The unions were consolidating the ground for a fresh advance when the right conditions should present themselves, and were paying more attention to their internal

organization and to their status in industrial and political life than to direct action.

The Independent Labour Party. The success of the Independent candidates in 1892 encouraged the advocates of separate representation, and in 1893 the Independent Labour Party was established at Bradford. The omission of the word "Socialist" from the title was in deference to the old trade unionists whose support was desired. The object was defined as "to secure the collective ownership of all the means of production, distribution, and exchange." While the I.L.P. fought by-elections on the basis of absolute independence, trade unions continued to act in collaboration with the Liberals until the death of Gladstone in 1898.

In consequence of the complete failure of the twenty-eight I.L.P. candidates in 1895 to secure election, attention was turned to municipal politics. As we have seen, work on municipal councils was an excellent training ground for those ambitious for political honours. Active trade unionists seized their opportunities of gaining experience in the art of electioneering, and in this they were supported by the advice and encouragement of the I.L.P. Thus the way was gradually being prepared for more cordial relations between the political wing and the economic wing of the Labour movement. Various causes contributed to the rapprochement of the two sections. Gladstone had been a strong link in the Liberal-Labour alliance, and with his death in 1898 the link was broken. The temper of the Welsh miners and the engineers, belonging to the economic wing of the movement, had been embittered by the unsuccessful strikes of 1897-8, and recent decisions in the law courts respecting the right of picketing and freedom from collective responsibility were disquieting. The wave of imperialist sentiment that brought on the South African War in 1899 had resulted in a check to

Liberalism, and in postponement of Labour legislation. After thirty years of resistance the Trade Union Congress of 1899 finally yielded to the importunities of the advocates of independent representation. Hitherto the I.L.P. had been excluded from the Trade Union Congress, but in this year the lukewarm support of the Congresses was changed into active co-operation. The assistance of all "Co-operative, Socialistic, Trade Union and other working-class organizations" was invited for the purpose of devising means for the better representation of Labour in Parliament. A special conference was called in February, 1900, and the Labour Representation Committee was set up, whose object was to establish "a distinct Labour Group in Parliament," which should have its own Whips and a clear policy; its members should be prepared to associate with any other party proposing legislation in the interests of Labour. The executive committee was to consist of representatives of the unions, the I.L.P., the Social Democratic Party, and the Fabian Society, and was to report annually to the Trade Union Congress. Bodies were to be affiliated, and each was to be responsible for the expenses of its own candidates.

Adoption of a Socialistic Programme. The first formal adoption of Socialism as the working faith and the ultimate goal of labour politics was due to the Independent Labour Party. It set itself the task of converting the trade union movement to Socialism. In a few years all the driving spirits in the local branches of the trade unions were members of the I.L.P. Being young, energetic, and ambitious, they secured the key positions as branch officials and delegates. In and out of season they urged the articles of their faith upon the Trade Union Congresses. They were regarded as Utopian visionaries to whose doctrines an otiose assent might be given, but who must not be allowed to lead the Labour movement

into impossible courses. On the whole the first Labour Representation Committee was anti-Socialistic, but after the turn of the century Socialism made distinct headway. The tendency towards industrial trusts which became so pronounced at this time was a source of alarm. It was feared that such vast combinations of capital controlled by a few individuals would inevitably destroy social and political freedom and oppress the workers. The remedy seemed to be "to transfer all private monopolies to public control, and to substitute co-operative production for use in place of the present method of competitive production for profit."¹ In these circumstances the policy of the Committee became avowedly the socialistic reorganization of society by gradual steps. In 1905 the Conference passed a resolution favouring collective ownership of the means of production, distribution and exchange.

The Taff Vale Judgment. The sudden shock of the Taff Vale decision in 1901, and the necessity of taking parliamentary action to parry the blow thus aimed at the security of the trade unions, led to a rapid development of the policy of securing independent representation. The Taff Vale Railway Company asked for an injunction against the Amalgamated Society of Railway Servants to prevent its members and agents picketing and besetting workmen seeking employment by the Railway, and claimed heavy damages for losses caused by such action. The case was carried to the highest tribunal. The House of Lords upheld the judgment of Lord Justice Farwell, who had found that a trade union, even though not possessed of corporate rights, was yet sufficiently a corporation to be liable for the acts of its servants. It might, therefore, by the imprudence or foolishness of even well-meaning officials, find itself mulcted in enormous damages,

¹ de Montmorency, *British and Continental Labour Policy*, p. 206.

and its funds, including those used for "friendly" benefits, wasted in continual litigation. This decision was followed by a stiffening of the attitude of the Labour Representation Committee towards the Liberals.

At the important Conference at Newcastle in 1903, it was decided to raise a levy of a penny per member per annum for the purpose of promoting Labour representation in Parliament. The importance of independence was strongly urged. "They should be," said Keir Hardie, "neither Socialists, nor Liberals, nor Tories, but a Labour party." The party in the House of Commons modelled its tactics upon those of the Irish Party, presenting a united and unbroken front. But while the members strenuously resisted any attempt at fusion with the Liberals, it was difficult after 1906 not to co-operate with them when they were engaged in the great struggle with the House of Lords over social reform and taxation. To the Liberals the trade unions were indebted for the Trade Disputes Act of 1906, based on the Majority Report of the Royal Commission on Trade Disputes, which removed all doubts regarding their collective responsibility. By this Act, the law of conspiracy was restricted in so far as it applied to trade disputes, though left intact in other respects. The adhesion of the miners' unions, which until now had stood aloof, brought a strong Liberal element into the Labour organizations. It was difficult in consequence of these facts for Labour to maintain a stubborn opposition. Moreover, the enormous majority of the Liberals over all other parties combined weakened the influence that the fifty-six Labour and Liberal-Labour members might have exercised had the proportions been more equal.

A further difficulty arose from the fact that Labour organizations had been built up originally on an economic rather than on a political basis. The presence of Liberal or Conservative minorities in the ranks of the trade unions

was an obvious difficulty when levies were imposed on all by resolution of the majorities. There was, therefore, much opposition to compulsory levies for purposes which it was claimed were not fundamental, nor implied in the fact of membership. In view of the threatened danger the unions sought counsel, and were advised by the Chief Registrar of Friendly Societies to revise their rules so as to make it clear that political action was one of the *methods* by which the trade unions sought to attain their objects, though not one of the objects themselves.

The Osborne Judgment. In 1908, Mr. W. V. Osborne, Secretary of the Walthamstow branch of the Amalgamated Society of Railway Engineers, brought an action to restrain the society from imposing a compulsory levy on himself and others for the support of candidates whose political views they did not accept. The action was dismissed in the High Court, but this decision was reversed in the Court of Appeal, and the reversal upheld by the House of Lords. The final judgment was based upon the interpretation of the Acts of 1871 and 1876, which had not specified parliamentary representation as among the objects of trade unions. Further, the judgment declared it to be contrary to public policy for members of Parliament to be fettered in their parliamentary duties by a pledge or agreement to vote in a prescribed manner, whereby they became delegates rather than representatives. It was held to be subversive of the political freedom of the people that electors should be compelled to subscribe to funds for the propagation of political views with which they were not in agreement.

The consequence of this decision was that a large number of further actions was brought by anti-socialistic minorities within the trade unions to restrain the majorities from spending money on political objects. Relief was afforded by the Budget provision of funds for payment of

salaries to members of the House of Commons, and finally in 1913 the Trade Union Bill was passed. By this measure the right of the unions to employ their funds for political purposes was recognized although only under certain conditions.¹ If it were decided by a ballot of the members to apply funds to political objects, such funds must be kept separate. Contributions to them were to be voluntary, and no one was to be denied the benefits of membership of the union because of non-payment. The Labour movement had passed safely through another period of tribulation, and had emerged strengthened rather than weakened.

§ THE ADVENT OF LABOUR

The years immediately preceding the war were, as we have seen, disturbed by severe industrial conflicts. On the outbreak of war, a truce was called in industry, and the activities of the trade unions were directed into other channels. Government control of the factories, regulation of output and the pseudo-conscription of labour necessitated the temporary abandonment of trade union safeguards, but high wages and steady employment led to a vast increase of membership. In particular, women entered the unions in large numbers. Labour gained enormously in political influence and the Labour Party by the adoption of a new programme in 1918, and the admission of individual members as well as affiliated societies, broadened its appeal, and definitely prepared itself for the day when it would be called upon to govern the country.

Until the end of 1919 the Labour movement gained impetus. At the first election after the Armistice, the Labour Party secured 61 seats. The experience of the

¹ When the trade union members were balloted in 1914 on the question of political action, more than one-third of the votes were adverse. See de Montmorency *Labour Policy*, p. 230.

war had taught the wisdom of bold policies, and the trade unions took up the offensive on a wide front. The 48-hour week was generally conceded, and the "Sankey" Coal Commission declared in favour of national ownership and democratic control of the mines. The great railway strike of September, 1919, was settled in favour of the men.

The post-war trade boom came to an end in the autumn of 1920, and the country was soon faced with an unemployment problem of unheard-of magnitude. The trade union offensive was checked, and in face of a vigorous counter-attack losses were suffered all along the line. Wages fell rapidly. The miners were locked out in April, 1921, following a dispute arising out of the decontrol of the mines. They appealed for aid to the other two parties to the Triple Alliance, namely, the Transport Workers and the Railwaymen. For a time it appeared that the industrial life of the whole country would be brought to a standstill, but differences between the miners and the railwaymen on questions of tactics resulted in the withdrawal of the support of the latter, and the miners were defeated. In 1922, the engineers' lock-out terminated in a signal victory for the employers.

The trade unions were impoverished by the double drain on their funds; their resources were exhausted by growing demands for both "out of work" and strike benefits. Nevertheless, the election of 1922 increased Labour representation to 142 (including Co-operators), many seats being captured from the Coalition Liberals. In December, 1923, Labour was returned to Parliament, second in numerical strength among the great parties, but first in strategical position. Early in 1924 the first Labour Government in Great Britain took office. Late in the same year an irresistible flood of Conservative sentiment swept it from power.

CHAPTER X

SOCIAL WELFARE

THE drift from the country into the towns which had accompanied the change from domestic to factory industry was accelerated when the coming of the railways made movement easier. The decay of arable agriculture under the influence of cheap food imports tilted the balance still further towards the towns. As the world demand for our factory products increased, more labour was absorbed in manufacturing industry, and the more rapid natural multiplication of town populations with continued immigration from rural areas led to vast urban aggregations. There was in consequence severe pressure on the space available for houses. Not only were there too many houses in a given space, but most of them were overcrowded.

§ THE HOUSING OF THE PEOPLE

The Growth of Slums. The inadequacy of State and municipal control of housing and sanitary conditions and indifferent landlordism, in a period before the social conscience was awakened to the evil, had allowed things to go almost beyond remedy. The slums had become a moral and physical cancer in the body of the community, which at first neither economists, nor statesmen, nor reformers could correctly diagnose, and for which they could not with any confidence prescribe. The tendency on the whole was to regard the evil as a dispensation of Providence, in face of which human agency was powerless, and, if exerted, might even provoke worse mischief.

The First Housing Acts. The humanitarian impulse which can be seen at work in the last third of the century brought a new spirit into legislation, till now afraid of being

even suspected of paternalism. It is reflected in the conduct of special inquiries by Parliamentary Committees as a preliminary to legislation. The Torrens Acts of 1868 proceeded on the principle that the responsibility for maintaining houses in proper condition fell upon the owner. Should he fail in his duty, the local authorities, if they so chose, could compel owners of dilapidated houses to keep them in proper repair or even to demolish and reconstruct them. The Cross Acts of 1875-9 contemplated the rebuilding of whole areas, the local authority first entering with powers of compulsory purchase and itself proceeding to reconstruction. But practically no advantage was taken of these merely permissive measures in an age when local authorities had as yet scarcely begun to realize their opportunities and responsibilities in the matter of social welfare. There was still such a low standard of social compunction abroad in the land that even great corporations could stoop to mean evasions. Notwithstanding provisions for re-housing in the Railway Acts, "it was a commonplace of the time that over a million poor persons had been turned out of their houses within a period of ten years by railway and improvement schemes, while fresh accommodation had been provided for only 20,000."¹

The weakness in all ameliorative legislation at this time was that it was permissive, and therefore largely inoperative. The powers which Parliament bestowed on the local authorities were so considerable that much might have been done which was not done.

Private Housing Reform. Notwithstanding the reluctance of the municipal authorities to undertake any duties other than those that were obligatory, and still less the management of such a speculative enterprise as building, there were several private bodies in the cities at work

¹ Bosanquet, *Social Work in London*, p. 14.

on the problem. These borrowed considerable sums from the Loan Commissioners under the Public Works Loans Acts of 1866 and 1879. Private housing reform owes much to the initiative of Miss Octavia Hill, who gathered round her a band of voluntary workers, and set to work upon some overcrowded and dilapidated slum property which had been bought up by John Ruskin. In London the Peabody Trust, which opened its first tenement dwelling in 1864, soon controlled twenty blocks and estates comprising over 5,000 tenements and accommodating nearly 20,000 persons. The Improved Industrial Dwellings Co., Ltd., in the same period re-housed 27,000 persons. At a later period the local authorities took over the work of housing and re-housing, and organized private effort became relatively less important.

Royal Commission on Housing of the Working Classes. There was in the 'eighties a general awakening to the importance of the problem. A new outbreak of cholera in 1884 spread alarm just after a Royal Commission on the Housing of the Poor had been appointed (with the Prince of Wales as Chairman). Conferences on sanitation were held in connection with the Health Exhibition of that year, and the Local Government Board urged local authorities to exercise their powers and duties more systematically. The Commission issued an interim report in 1885. They found that "the existing laws were not put into force, some of them having remained a dead letter from the date when they first found place in the statute book," and recommended that where the local authorities were reluctant to enforce the Housing Acts, the Local Government Board should use compulsion. The final report issued in 1890 was still more drastic, and recommended the appointment of whole-time medical officers of health and an increase in the number of sanitary inspectors. The Commissioners proposed that local authorities should have

compulsory powers for the purchase of land for dwellings and suggested a system of cheap Government loans for municipal housing schemes. The report recommended further that cheap transit to suburban districts should be provided in order to relieve the congestion in urban areas. Particular attention was drawn to the fact that the owners of vacant urban sites were rated not in relation to the real value of this land, but to the actual annual income. "They can thus afford to keep their land out of the market and to part with only small quantities, so as to raise the price beyond the natural monopoly price which the land would command by virtue of its position. Meantime the general expenditure of the town on improvements is increasing the value of their property." It was suggested that if the land were rated on its selling value the owners would have a more direct incentive to part with it to those who wanted it for building. Thereby a two-fold advantage would accrue to the public. There would be an increase in rateable property and the reward of the industry and activity of the townspeople would be reaped by the community.

Housing of the Working Classes Act. These recommendations formed a basis for the Housing of the Working Classes Act of 1890, under which housing administration was carried on until the Housing and Town Planning Act of 1909 pushed reform a stage further. Hitherto the general principle of administration was to restrict interference to the checking of manifest abuses. Subject to this, speculative enterprise was permitted to cover suburban land with ugly, planless wildernesses of streets, with no regard for open spaces or natural amenities which were not "business propositions." The new Act marked the final abandonment of *laissez-faire* in the provision of the homes of the people. Mindful of some striking continental examples of the beneficial results of municipal

forethought in planning for future developments, the Government empowered local authorities to acquire adjacent land, and to lay it out in such a way that natural and social amenities would be preserved.

Garden Cities. Housing reform had been recently stimulated also by the immediate success of the early Garden City movement. Messrs. Cadbury Brothers had built a model village at Bournville, Messrs. Rowntree and Co. at New Earswick and Messrs. Lever Brothers at Port Sunlight. These ventures were regarded as resting on a philanthropic impulse, but the improved morale of the employees fostered by pleasant surroundings, opportunities for healthy recreation and stimulating social intercourse, and schemes of prosperity-sharing, no doubt had a definite, though incalculable, business value. Apart from such initiative, the first Garden City company was founded at Letchworth in 1904 by Mr. Ebenezer Howard on strictly commercial principles to develop a new species of town which "should be of a population large enough to allow of efficient industrial organization and full social activity; but no larger. The urban area should be limited to a size requisite to house this population well, and should be surrounded by a zone of open land large enough to possess a distinctively rural and agricultural character. The whole of the land, including the urban area and the rural zone, should be owned and administered in the interest of the local community."¹

Growth of Suburbs. In the large towns the spread of transport facilities (tramways, electric railways, and motor omnibuses) was considerably altering the bearing of the housing problem. The provision of tenement dwellings on expensive central town sites, which had until now been the usual method of re-housing, was giving place to the

¹ *New Towns after the War*, by New Townsmen, pub. Dent, pp. 41-2.

development of suburban areas ; and the reduction in the length of the normal working day was making it possible for an ever-growing number of town workers to live in more open surroundings. The application of the Garden City idea under these conditions gave rise to the Garden Suburb, and in recent years most large towns have, sometimes under private and sometimes under municipal enterprise, spread themselves out over an adjacent rural area, developed with every regard for the health and convenience of the inhabitants.

Housing and Town Planning Act. The Housing and Town Planning Act of 1909 encouraged this suburban development by making loans on favourable terms to public utility societies and municipal bodies, and in consequence the growth of garden suburbs became increasingly rapid up to the outbreak of war. During these years there was a serious decline in the provision of houses by speculative builders. The rise in the cost of land and building materials, added to the difficulty of getting an economic rent, together with the new taxes levied on "unearned increments" in land values by the Budget of 1909, partially checked private building enterprise. The war brought it to a dead stop, and by 1918 the shortage of houses was estimated, on a moderate proportion of dwellings to population, to be well over a million. As long as money commanded a high rate of interest, and building "rings" kept up the prices of materials, houses could not be provided on an economic basis under the Rent Restriction Acts. The State was therefore compelled to formulate a housing policy.

Until 1909 the extent to which the Housing Acts were utilized depended to some extent upon the political complexion of the majority of the members of the local authority, and the attitude they adopted towards legislation which threatened private interests. There was,

undoubtedly, a general levelling-up of the standard of housing and sanitary administration under the pressure of public opinion exercised through the press and the ballot box even before the Local Government Board was empowered to coerce backward local authorities. But on the whole, down to our own day, criticism has outpaced action. Every study of social conditions in city, town and village¹ brings fresh evidence of housing conditions which are a blot on our civilization.

The Housing Problem since the War. The gravity of the evil has increased more rapidly than the remedies which legislation has devised. In the earlier part of the nineteenth century there was a total absence of regulation. In the later part there was an attempt to reconcile State regulation, timidly exercised through municipal bodies, with individual enterprise. In the present century, until the outbreak of the Great War, governmental action was becoming more efficient and showed less compunction in setting aside private interests if these conflicted with social advantage. The social, political and financial changes brought by the War altered the whole aspect of the question, and the solution of the problem is now looked for in a totally different direction. The provision of houses is coming to be looked upon as a vital social service to be rendered by the State and not left to the haphazard operation of philanthropic agencies, or the self-seeking action of speculative builders.

It has been estimated that the pre-war arrears in regard to housing left us in 1911 with 800,000 families in England and Wales, and 25,000 in Scotland for whom there were

¹ See Chas. Booth, *Life and Labour of the People of London* (1889-1903), General Booth, *Darkest England and the Way Out* (1890); Seebohm Rowntree, *Poverty—A Study of Town Life* (based on investigations in York (1900); Howarth and Wilson, *West Ham, A Study in Social and Industrial Problems* (1907); Davies, *Life in an English Village* (1909).

no houses, three-fourths of these living in rooms overcrowded according to the census standard. To this must be added the deficiency of the decade 1911-21, chiefly war arrears, amounting to about 600,000 houses of all kinds.¹ The fact emerged that if the population was to be housed in a manner which satisfied the minimum standard of decency, over a million new houses were required.

As soon as the Armistice was signed, attention was turned to the problem of housing as being one of the most urgent of social questions, and in 1919 the Addison Scheme was launched. The local authorities were charged with the duty of making surveys of their areas and of submitting to the Local Government Board schemes for the exercise of their powers. The burden involved by a local housing scheme was limited to a penny on the rates, the State becoming guarantee for the remainder. Financial aid was given to Public Utility Societies and to Housing Trusts, and by a later Act subsidies were offered amounting to as much as £250 to private persons building houses at a cost of not more than £1,000 within a stated period. The anticipation that half a million houses would be completed within a period of three years was not fulfilled. But the re-housing of a million inhabitants in 200,000 new houses during these years was a considerable and noteworthy achievement.

The phenomenal demand for houses gave ample scope to the speculator in building materials, and prices soared to dizzy heights. Thousands of municipal houses were built at a cost which made them a burden on the community as long as they should endure. Rents could not be allowed to rise beyond a certain level in relation to average wages. The Rent Restriction Acts were passed to protect the homes of the people, and to safeguard public order against the peril which would ensue from wholesale evictions. Towards

¹ Barnes, *Housing, The Facts and the Future*, p. 92.

the end of 1920 there was great controversy in regard to the heavy cost of the housing schemes, and the Committee on National Economy, wielding the "Geddes Axe," practically put an end to them. Dr. Addison, the Minister of Health, resigned. He was succeeded by Sir Alfred Mond and the Housing problem took on a new phase.

It became clear that the policy of the earlier Act, whereby the burden on local authorities was limited to the proceeds of a penny rate while the share of the Government was unlimited, could not continue. The new policy was for the State to limit its aid to a definite sum per annum per house for a period of twenty years, leaving to the local authority the responsibility for any further deficit between the annual charge and the rent it could obtain for the houses it built. In order to encourage building in the less congested districts, the grant in rural zones was to be higher than that in urban areas. The relative position of the State and the local authorities was thus transposed: the liability of the former was fixed, that of the latter variable.

The progress of housing schemes was checked by two reactions: firstly, the Trade Unions resisted attempts at "dilution" intended to repair the shortage of labour in the building industry; secondly, with the simultaneous starting of operations all over the country, demand for materials overtook supply. In 1924 a Committee "representative of the employers and operatives . . . and of the manufacturers and suppliers of building materials" made proposals for revising the apprenticeship system in order to augment the supply of skilled workers, and for developing and controlling our resources of building materials. The Housing Act of 1924 (the "Wheatley Scheme") contemplated a programme "extending over a period of 15 years, and aiming at a production, at a gradually increasing rate, of approximately 2,500,000 houses in Great Britain." State contributions to Local Authorities were to be increased

in amount and in duration: £9 for each house in urban, and £12 10s. in rural areas, annually for 40 years.

Housing is to-day passing through the stage at which education was in 1870. Before that year grants of public money had been voted to aid private educational enterprise reaching a minimum standard of efficiency, and side by side with these there had been unaided and independent schools conducted on purely commercial principles for private gain. The Education Act of 1870, while allowing these to continue, made the State responsible for making good any deficiency in the provision of elementary education, so that a school place was provided at the charge of the nation for every child in the land. Future housing policy will probably follow the same course; philanthropic effort and commercial speculation will be permitted to continue side by side with a State scheme for ensuring the minimum standard of shelter, comfort, convenience and sanitation which social opinion will, at any given moment, tolerate in the homes of the people.

§ PUBLIC HEALTH

Until the Local Government Board was created in 1871 there was no central authority, and until the Public Health Act of 1875 no code of regulations, for local sanitary administration. The care of Public Health had been left to the casual and intermittent action of temporary Boards working under the occasional stimulus of fear produced by the successive visitations of cholera, or of shame at some unusually disgraceful revelation of social conditions by the Medical Officers of Health (first appointed in 1848). But sanitary science was making rapid headway, and it was already clear that the best method of combating disease was by enforcing cleanliness. Edwin Chadwick, Lord Shaftesbury, and Dr. John Simon

agitated for a stronger centralization of authority in order to compel local bodies to bestir themselves, but encountered a dead mass of opposition in those who, even in regard to sanitation, deprecated any paternal interference on the part of the State. Meanwhile the sewers of London continued to empty themselves into the Thames above the intake of the water companies.

Sanitary Legislation. Legislation dealing with sanitation followed closely that dealing with housing, since it was found that the prevalence of insanitary conditions was in direct relation to the extent of overcrowding. At first timid and solicitous, administration became increasingly bolder and insistent as the reports of the Medical Officers showed up the indifference and lethargy of local authorities, or their active opposition to any reform that might add to the burden of the rates. The Local Government Board, which was charged with the duty of controlling the administration of the sanitary code, had grown out of the old Poor Law Board, and unfortunately combined, and perhaps confused, the care of public health with the provision of public relief.¹ Moreover, the code of 1875 consolidating earlier enactments, however fully it expressed the standard of scientific knowledge and of social opinion in its time, was but rudimentary. The advance of science and of social standards during the following years, together with a wider view of the functions of government, resulted in an enormous extension of sanitary regulations. But the administration of new duties being distributed over numerous departments of government led eventually to a condition of affairs hardly less chaotic than before 1875. Reform was constantly delayed by the division of

¹ The Minister of Reconstruction in introducing the Bill to establish a Ministry of Health in 1918 found it necessary to assure the House of Commons that the earlier association of public health and public relief in no way left on the former services "any Poor Law taint whatever."

responsibility, the inconsistency of policy and the hesitation of the Local Government Board. There was need for a new and independent government department that should carry out all duties connected with the health of the people. The necessity for this reconstruction of the machinery of government was urged in the Minority Report of the Poor Law Commissioners of 1909, but as the question was bound up with the whole future of Poor Law administration, and seemed to involve drastic reforms in local government (including the abolition of the Boards of Guardians), the overworked Parliaments of 1909 to 1914, preoccupied with the problems of finance, industrial unrest, and Ireland, had no time to devote to it. It was not until the War was nearing an end that a start was made in the reorganization of central public health administration.

Ministry of Health. The main function of the Ministry of Health, established in 1918, was to unite under one control the administration of public health services, without which it was hopeless to expect any real and substantial progress. To the powers and duties of the Local Government Board and the Health Insurance Commissioners were added those of the Board of Education relating to the health of mothers and infants, those of the Privy Council with regard to midwives, and those of the Home Office with regard to the protection of infant life. The medical inspection and treatment of school children and sick soldiers, and the care of lunatics "being involved in various administrative arrangements which it would take some years at least to disentangle," were at a later stage to be taken over from the authorities at that time responsible. Nothing was done to co-ordinate local health administration, which still awaits the general reconstruction of local government.

It has been said that "to the Industrial Revolution has succeeded a Hygienic Revolution." Certainly the extent

and rapidity of the transformation wrought in society by sanitation and remedial legislation justifies the use of the word "revolution" in the one instance as in the other. Medical science now looks in a new direction, and the emphasis is to-day on the prevention rather than on the cure of disease. This change is due directly to the acceptance by the State of responsibility for ensuring the conditions of the good life for each citizen. In the medical sense, as well as in the spiritual, "no man lives unto himself alone." Society claims the right to supervise the individual and his habitat in the interests of a higher life than his own. For where individuals are powerless, the combined resources of the community may be adequate to the task of raising a new race out of a healthier stock.

§ THE HEALTH OF THE NATION

What progress has been achieved in public health as a result of State action since 1871? In a supplement to the Forty-seventh Annual Report of the Local Government Board (1917-18) the Chief Medical Officer reviews the vital statistics. Since notification of the more important infectious diseases did not become compulsory for the whole of England and Wales until 1899, no accurate comparisons except of death rates are possible. Sir Arthur Newsholme says that, if in 1871 the death-rate had been as low as it was in 1911-15, 200,000 out of 514,879 deaths in that year would not have occurred. Comparing the death-rate at various ages in the 'seventies with that in 1911-15, he finds that the reduction has been from 42 to 50 per cent at all ages up to 45, and that "at every subsequent age-period a substantial reduction of the death-rate has also been secured." The national life-tables show that the average male child born in 1871-80 had an expectation of 41 years of life, and the average female child an expectation

of 44.6 years. In 1910-12 the expectation had increased to 51.5 and 55.4 years respectively. Infant mortality, which was 153 per thousand in 1867, fell to 96 per thousand in 1917. Sixty-four per cent of this annual saving of lives may be attributed to reduced mortality from acute and chronic infectious diseases, including tuberculosis and respiratory affections. On the other hand more deaths have occurred from influenza (not prevalent in 1871-80), diphtheria and cancer.

The best index of sanitary progress is said to be furnished by the degree of prevalence of enteric fever. "With more perfect protection of water supplies, adequate supervision and control of milk supplies, the abolition of conservancy methods of excrement disposal, the more complete enforcement of protective measures against the consumption of contaminated shell-fish, and the recognition of 'carriers' and the adoption of precautionary measures regarding them, enteric fever is now (like typhus) a rapidly disappearing disease." The following figures show the distance already

| <i>Year.</i> | <i>Population.</i> | <i>Deaths from enteric fever.</i> |
|--------------|---------------------------------|-----------------------------------|
| 1871 | 22 $\frac{1}{5}$ million | 12,709 |
| 1881 | 26 " | 6,688 |
| 1891 | 29 " | 5,200 |
| 1901 | 32 $\frac{3}{5}$ " | 5,172 |
| 1911 | 36 $\frac{1}{5}$ " | 2,430 |
| 1916 | 34 $\frac{1}{2}$ " ¹ | 1,137 |

travelled in the prevention of enteric fever. The improvement shown in these figures has occurred in spite of increasing exposure resulting from the dense aggregation of the population in urban centres, "with its devitalizing influences and its multiplied opportunities for catarrhal and other infections."

Sanitary Reforms. Among the influences which have

¹ Estimated civilian population.

conducted to improved conditions of life, the first place is claimed for the work of the sanitary authorities. At the beginning of this period there were few medical officers of health and sanitary inspectors, and most of them were untrained and inexperienced. Since then the standard of these officers has become steadily higher, and to their energetic counsel the good work accomplished by sanitary authorities is largely attributable. A pure water system, preservation of food from contamination, more adequate scavenging, drainage, and sewerage, the clearance of slum areas, better housing, street paving, lighting, and sanitation have all helped to an important extent. So likewise have the improvements in industrial hygiene, especially in preserving the atmosphere of factories from dust and in the reduction of hours of labour. These factors have been greatly aided by the steadily improving medical and general education of the people, aided by maternity and child welfare centres, and by the preventive work of police authorities and voluntary agencies, especially in regard to drunkenness and cruelty to children; and it is certain that the improved material comfort of the population with a rising standard of feeding and clothing has played a great part.

Cost of Social Services. The nation has thus gained in health and material comfort a dividend on the considerable sums invested on sanitation annually out of rates and taxes. Local expenditure in England and Wales (other than that defrayed out of loans) for all purposes in 1871-2 was £31,000,000. In 1923-24 it was £144,000,000. The largest items in this expenditure were the cost of poor relief, which absorbed nearly £32,000,000, and provision for education, on which £30,000,000 was spent. Next to these came the cost of maintaining and building highways. smaller amounts were spent on police (about £9,000,000), Sewerage, the provision of parks, commons, open spaces,

lighting, housing, markets, libraries, and many other social necessities.¹

While the total annual expenditure of local authorities has grown enormously during the last half century, the outlay on Public Health has grown much faster in proportion. Moreover, the largest part of capital expenditure has been incurred in connection with schemes contributing to social welfare. The outstanding loans of local authorities were in 1871-2 about £69,500,000. In 1914-15 they reached a total of over £570,000,000, so that local debt was then hardly less in amount than the pre-war national debt.

The expenditure of the local authorities is in addition to the sums expended from the national exchequer on social welfare. The sum of £227,000,000 provided for the Civil Services in the 1924 Budget includes payments on account of Education, Old Age Pensions, National Health Insurance, Unemployment Insurance and Housing. In the immediate future it is probable that the cost of social services will be still further increased by the removal of the thrift disqualification in connection with Old Age Pensions, and by the inauguration of Widows' Pensions.

Medical Inspection. The medical examination of the whole of the adult male population of military age under the operation of the Military Service Acts during the war supplied material for an estimate of the absolute standards of physical well-being among the people, although the absence of any earlier information of a like kind made comparisons impossible. Of the two and a half million men who were called up for medical examination between 1st Nov., 1917, and 1st Oct., 1918, 10 per cent were found to be *permanently unfit for any form of military service*. This is a sufficiently disquieting fact, which ought to

¹ See Financial Statement in 1924 Budget. Table V: *Estimated Rates Collected by Local Authorities in 1923-4.*

startle us out of any disposition to regard the question of the nation's standard of health with complacency. Yet the Chief Medical Officer warns us against unduly pessimistic inferences. It must be remembered that the fittest men had already enlisted in the earlier years of the war. The residue comprised the less fit, and those who belonged to the later age groups, among whom a fairly high percentage of military incapacity might have been anticipated. Moreover, the figures given above in regard to changes since 1871 afford an indication of the terrible conditions which a similar health-census fifty years ago might have revealed.

§ SOCIAL INSURANCE

One of the most remarkable features of our modern social organization is the spread of the principle of insurance. The curse of an over-industrialized society is insecurity. The individual business unit and the individual worker are powerless to resist the forces which govern the ebb and flow of commercial prosperity. But systems of mutual aid have been devised to protect individuals from the worst consequences of ill-fortune. Originally conceived of only in relation to catastrophic calamities such as fire or earthquake, the principle has been applied to normal industrial and domestic risks. There is to-day hardly any kind of risk which cannot be provided against by an appropriate payment, and one may contract for compensation for loss of business arising out of an outbreak of war as well as for loss of revenue in the event of a fall of rain on a charity "Flag Day."

The first considerable extension of insurance enterprise took place after 1871. Then the Government, by reducing the stamp duty on fire policies to a penny,¹

¹ In 1816 the duty was 3s. per cent. See Porter, *Progress of the Nation*, p. 604.

regulating the form in which balance sheets were to be submitted to the Board of Trade, and requiring periodical actuarial results to be published, supplied a great impetus to the business of insurance. Since then it has developed into a highly exact mathematical science, based on a simple, but fundamental social principle, the sharing of risk. By means of it, the periodic shocks to which an industrial society is subject can be so distributed over the whole community that no individuals or classes suffer unduly.

The employer has used it to cover himself against the obligation imposed on him by the Employers' Liability Act of 1880 and by the Workmen's Compensation Act of 1897. In 1911 the State recognized the social importance of the principle of insurance to the extent of making it compulsory by the National Health Insurance Act, and at the same time experimented with compulsory Unemployment Insurance for seasonal trades. By this means the risks incident to a highly industrialized population were lessened, and the security, which in the pre-industrial age had been enjoyed even by those who had only their labour to offer, was to some extent restored.

§ PRISON REFORM

The stirrings of the social conscience, which has already been described at work reforming our institutions and humanizing our relations, penetrated also into our prisons. The interest and sympathy which John Howard and Elizabeth Fry had found it so difficult to arouse were at last enlisted on behalf of the prison population. The Act of 1865 had already removed many of the worst abuses. The sanitation of Britain which was now proceeding rapidly could not leave untouched places so unwholesome as the local prisons, which had frequently been the source of severe epidemics extending far beyond the walls. It would, however, be unfair to suggest that society, when

interesting itself in the sanitation of prisons, was thinking mainly of saving its own skin. There was at the same time a genuine concern for the convict's welfare, and although it was still a fundamental principle in the law that the main purpose of imprisonment was to deter, and the emphasis was always on the penal character of prison discipline, yet public opinion regarding the principles of prison treatment was rapidly changing.

Punishment or Reformation? There had been a general raising of the estimate of the community as to what constituted the minimum standard of life for all its members, and this reacted upon the condition even of criminals undergoing punishment. Moreover, new psychological theories pointed out a better way, and the Prisons Act of 1877 marked the beginning of the tendency to subordinate the punitive or vindictive aspect of a prison sentence to the reformatory aspect. By the abolition of unproductive labour (a reform strenuously opposed by those who pointed to the danger of unfair competition with commercial interests) and the substitution of the practice of useful trades, prison labour became more industrial in character. It no longer demoralized the prisoner; moreover, there was an economic gain which might even accrue to his personal advantage on regaining his liberty.

Prison discipline has thus developed into an educational process; it is now designed to assist in the cultivation of the work habit. At the same time there has been a mitigation of severity, made possible by a more careful differentiation of occasional and habitual offenders, and greater elasticity in treatment. By means of books, concerts, lectures and debates, the prisoner has been saved from the dangers of morbid introspection. He has been allowed to cultivate intelligent interests, and to acquire property by his industry and skill. By such means he has been encouraged to develop healthy social habits, and

the ordinary first offender has been allowed to retain his self-respect.

In all these directions, while much has undoubtedly been accomplished since 1865 and 1877, much yet remains to be done before prison treatment is brought into line with all that medical science and psychological research have taught us on the subject of abnormal states of mind. The main purpose, in fact, of the Acts of these two years was to promote "uniformity, economy and improved administration" by strengthening central control. There was no deliberate acknowledgment of the reformatory principle until the Report of the Departmental Committee of 1894 laid it down that the reclamation of the offender was at least as important as the punishment of crime. The Prevention of Crime Act of 1900 further emphasized the change by introducing the principle of a period of "preventive detention" for habitual criminals, that is to say, a period following the normal sentence of penal servitude during which the reformatory influences might have the fullest play. But in practice the aims of the system remain confused. Retributory and deterrent treatment is still common; the reformatory principle operates only on limited classes and then often inadequately.¹ The chief difficulty in the way of its more general adoption is the fact that a great proportion of the sentences are too short for reformatory influences to operate usefully.

Criminal Statistics. If we consider the statistics of crime and the criminal during the last fifty years we are strengthened in our conviction that people are becoming more law-abiding, and that serious crime is diminishing. The table opposite,² giving the average daily population of

¹ See *English Prisons To-day*, Hobhouse and Brockway, 1922, pp. 78 foll.

² Dr. R. F. Quinton, *Crime and Criminals*, p. 107, and Hobhouse and Brockway, *English Prisons To-day*, p. 1.

the prisons, indicates the enormous improvement that has taken place. There is no doubt that the fall in the number of local prisoners sentenced for minor offences would have been proportionate to that in the number of convicts if the categories of crime had remained constant. But an enormous number of non-criminal offences has been created by recent legislation (e.g. neglect of parents under the Education Acts) and these have swelled the total. It must be remembered that a third of the local prison population are serving short sentences in default of paying a fine. Moreover, police efficiency has increased, and crime is more

DAILY AVERAGE POPULATION

| <i>Year.</i> | <i>Convicts.</i> | <i>Local Prisoners.</i> | <i>Population.</i> |
|--------------|------------------|-------------------------|--------------------|
| 1880 | 10,299 | 19,835 | 25,708,666 |
| 1909 | 3,106 | 18,923 | 35,348,780 |
| 1921 | 1,400 | 8,400 | 37,885,242 |

often traced to its source. On the other hand, the system of probation under the Probation of Offenders Act, 1907, and the Borstal system, generally adopted in 1908, have reduced the ordinary prison population.

The fall in the number of criminals is to be ascribed not so much to the deterrent or reformatory effect of prison life as to the cutting off of the supply at the source. The Education Act of 1870 brought under discipline and trained to useful citizenship children who would otherwise have learned criminal habits in the streets. Soon after, the Summary Jurisdiction Act (1879) was passed, which by shortening sentences checked the flow into the convict prisons. The After-Care work of the Discharged Prisoners' Aid Societies has done much to rehabilitate the fallen and to make easier the return to civil life.

There was a very considerable diminution of crime during the period of the war and immediately after. The figures

show 1919-20 as the year when our prisons were emptiest ; there has been a slight increase of criminality since. Poverty and destitution resulting from unemployment are important factors in the situation, and there is no doubt that the payment of unemployment benefit during the recent acute trade depression explains why the increase of crime was not much greater.

The Causes of Crime. There is a close relation between crime and mental defect. The proportion of mental defectives in the prisons has been estimated at between 10 and 20 per cent. Alcoholism is directly responsible for 35 to 45 per cent of crime, and indirectly for much more.

One out of seven commitments from the ordinary courts in 1908-9 was on account of vagrancy. It seems clear that all movements to improve social conditions, to bring security into industrial life, to abolish slums, to raise the standard of education, may be expected to reduce still further that section of the present prison population which calls for remedial rather than for penal treatment. There will possibly always be a residual criminal class in any society so intricately organized as ours ; but as fast as society recognizes its own responsibility, revises its conception of what constitutes punishable crime, and devises other means of dealing with offences that involve no moral delinquency, so will our prisons gradually disappear.¹

Reform of Judicial Procedure. Accompanying recent changes in the conception of the causes of crime and the methods of its prevention, there has been a thorough overhauling of the machinery of justice. Reforms in the organization of the Courts of Law have reflected important changes in the social outlook. The Judicature Acts of

¹ Between 1877 and 1910 the number of prisons was reduced from 113 to 57. See Quinton, *Crime and Criminals*, p. 4.

1873-5 began the process of simplifying, speeding-up, and cheapening legal procedure, and abolishing the offices of sinecure dignitaries. They put an end to the antagonism which had existed between the rules of law and the rules of equity, by providing that when there was conflict, the latter should prevail. The practical consequence was that law became more progressive. The letter counted for less and the spirit for more. The judge's discretion was widened and his method was not so much "the rigid application of obsolete rules"¹ as the study of motives and all attendant circumstances, and the weighing of these against the changing standards of social conduct. Law, hitherto static, now gradually became dynamic. It tended less to interpret the social code of "the day before yesterday" and kept more nearly abreast of the times.

§ POINTS OF VIEW ON SOCIAL REFORM

In all these measures of social amelioration the view-point has changed as our conception of the purposes of social organization has changed. Probably, in the 'seventies, the regulations enforcing sanitation were dictated partly by fear, while the early Factory Acts were the product of pure sentimentality. At a later date, the motive force of the reformer flowed out of a quickened sense of social justice. Since all men are dependent on society, taxation for social purposes is defended to-day on the ground that society is taking back only what it has given. Public expenditure on poor law relief, old-age pensions, maintenance of the unemployed, and so forth, according to this view is not charity but equity. But there are many other points of view. In the words of Lord Hugh Cecil,² "it may ingeniously, but perhaps not quite convincingly,

¹ Vinogradoff, *Common Sense in Law*, p. 222 (Home University Library).

² Lord Hugh Cecil, *Conservatism*, p. 178.

be argued that, though no claim in justice can be made upon the State to give help to deserving persons in need in their old age or during sickness or disablement, a reasonable claim for gratitude may be put forward."

Probably there is less controversy with regard to the expediency of expenditure on social reform. "It certainly would be unwise, even if it were not inhuman," says the same writer, "to leave destitution unrelieved. To allow a part of the population to become desperate would be to encourage crime and violence, to weaken the authority of law, and to imperil the stability of social order."¹ But this is putting the matter on too low a ground. On the whole, the difficulty is avoided by practical reformers who use the economic argument that "the rate of interest obtainable by society from investments in human beings is higher than the rate obtainable from investments in material capital. In other words, the marginal net product of resources wisely invested in persons is higher than that of resources wisely invested in material capital; a given sum wisely expended on the health and education of the people, and especially of the young, will increase production by a greater amount than the same sum wisely expended by private persons on the creation of new capital."²

This argument stands or falls by reference to actual results. It is difficult to analyse the part played by each social factor in producing an advance of material comfort through increased production, but the progress of invention, the wider enjoyment of social amenities, the lengthening of life and its greater vigour at all ages, our knowledge of the world of matter, and our control of natural energies, are all obvious facts of our time which seem to lend support

¹ *Ibid.*, p. 177.

² Dalton, *Inequality of Incomes*, p. 148, referring to Prof. Pigou's *Wealth and Welfare*.

to the soundness of social investments on health and education during the past half century.

It may be fairly questioned whether increased social happiness has resulted. But this doubt does not affect the issue. Happiness is a quotient of wants and the means of satisfying them, and the law of human progress seems to imply the emergence of new wants as soon as the means for the satisfaction of the old are within our grasp. In a progressive society such as ours, therefore, the maximum happiness is attained in the act of striving, and happiness through complete satisfaction is a delusion.

Some have feared that as a result of the paternal legislation of the State the moral fibre of the people has weakened, that they have grown accustomed to lean on the State, or, in other words, on their fellows, instead of fending for themselves. Such fears could hardly survive the experience of the War, when the severest hardships and agonies at home and in the field were endured with fortitude and uncomplaining cheerfulness, and when for the most part there was a deliberate choosing of the hard option in preference to the soft.

CHAPTER XI

EDUCATION

FROM 1833, when the first government grant of £20,000 was made to assist two societies engaged in maintaining schools, until 1870, when a State system was established, the provision of education was left to private enterprise.

John Stuart Mill voiced the prevailing attitude towards the question: "A general State education is a mere contrivance for moulding people to be exactly like one another; and as the mould in which it casts them is that which pleases the predominant power in the Government, whether this be a monarch, a priesthood, an aristocracy, or the majority of the existing generation: in proportion as it is efficient and successful, it establishes a despotism over the mind, leading by natural tendency to one over the body. An education established and controlled by the State should only exist, if it exist at all, as one among many competing experiments, carried on for the purpose of example and stimulus, to keep the others up to a certain standard of excellence. Unless, indeed, when society in general is in so backward a state that it could not or would not provide for itself any proper institutions of education, unless the Government undertook the task: then, indeed, the Government may, as the less of two great evils, take upon itself the business of schools and universities, as it may that of joint-stock companies, when private enterprise, in a shape fitted for undertaking great works of industry, does not exist in the country. But in general, if the country contains a sufficient number of persons qualified to provide education under Government auspices, the same persons would be able and willing to give an

equally good education on the voluntary principle under the assurance of remuneration afforded by a law rendering education compulsory, combined with State aid to those unable to defray the expense." ¹ The passage is significant of the transition from the attitude of complete *laissez-faire* to a partial confession of the responsibility of the State.

The original grant of £20,000 had increased by this time to one and a quarter millions, notwithstanding the fact that the State built no schools, and made no provision for education where local philanthropic agencies were lacking. At this time in England and Wales one in every five men, and one in every four women, were, according to the returns of the Registrar-General, illiterate. In this respect England and Wales stood midway between Scotland and Ireland, where illiteracy was, respectively, one-half and twice as great. The second Reform Act had entrusted the powers and responsibilities of citizenship to a large number of illiterate men in the towns, and it was obviously necessary, if these powers were to be intelligently used, that the standard of education in the new democracy should be raised. "We must educate our masters," said Mr. Lowe in the House of Commons. All citizens were, therefore, to be put into possession of the Keys of Knowledge which would enable them, in later and maturer years, to enter into the larger domain of human thought and recorded achievement, and to equip themselves thereby to perform more intelligently their functions as the political guardians of the commonwealth.

§ THE BEGINNINGS OF STATE EDUCATION

The Act of 1870 made education neither free nor compulsory. All that it did was to offer State aid to the inhabitants of any town or village for establishing schools where no

¹ Mill, *On Liberty*, p. 83, ed. publ. Watts & Co.

alternative provision was made. The voluntary schools were left almost untouched. Wherever accommodation was deficient, elective School Boards might be set up by the rate-payers and empowered to levy rates. It was not until 1876 that compulsion was enforced, and not until 1891 that school fees were abolished. By 1880 the proportion of children in attendance was more than doubled, and with the gradual raising of the age of exemption from school attendance and the more careful enforcement of by-laws, this proportion continued to exceed the rate of natural increase. Certain special exemptions were permitted—in particular, there was in manufacturing towns (especially in Lancashire) a half-time system, and in agricultural districts a lower school-leaving age.

An early Commission of Enquiry had reported most unfavourably upon the efficiency of the schools, and the policy of "payment by results" had therefore been adopted in 1862. The grants were regulated by the success of the scholars in the annual examination. The system was founded on mistrust of the teacher and on false educational values. "It fostered and encouraged the very methods of instruction which every sane educationist would have tried to avoid. . . . It took little note of the method and general character of the teaching, of the discipline and equipment, or of the tone and spirit of the school. . . . The system survived so long that it grew into the life of the school, vitiating the aims of the teacher, and it came to be regarded as the absolutely essential and only condition by which the State was secured in obtaining full value for its money."¹ Matthew Arnold, who worked as one of Her Majesty's Inspectors under this system, condemned it as inhuman. Everything was sacrificed to the tedious, mechanical treadmill of the "three R's."

¹ Sir Philip Magnus, *Educational Aims and Efforts, 1880-1910*, pp. 3 and 4.

A more generous curriculum and methods of teaching which aimed at developing intelligence were discouraged because "results" did not follow. In 1890, greatly to the advantage of true educational efficiency, this crude, commercial system was abolished, and the principle of a grant based on average attendance was substituted. It was recognized that the standard of the work depended on the standard of the teaching profession, and efforts were made to improve this by increased provision of Training Colleges.

At the same time the adoption of the principle of free public education marked the beginning of a further stage in social reform. The principle was already implicit in the law which for social ends compelled every parent to provide his children with the rudiments of knowledge. Hitherto, the survival of an individualistic habit of thought, which regarded all extensions of State control as mischievous and dangerous, had stood in the way of a frank recognition that a free system was the corollary of a compulsory system. Although this was not clearly present in the minds of statesmen at that time, there were many further social implications involved in this fact of compulsion. For, if the State is to be the gainer by a wider diffusion of knowledge and a more intelligent citizenship, it must also be the gainer by the creation of a healthier race. Moreover, so much of educational expenditure is wasted which is spent in trying to cultivate the minds of children whose stomachs are empty. Free education, therefore, led inevitably to free meals, and to free medical inspection and treatment. So far from being merely the agencies by which the State drilled its future citizens into disciplined habits of conduct and tricks of memory, the schools of the nation have become a vast social laboratory, wherein innumerable social experiments and observations are carried out with every aid from the newer sciences of

psychology and statistics. The State has learned to concentrate on the child, and to look for dividends on its social investments in the improved social welfare of the next adult generation.

The Development of Higher Education. The earlier restriction of the curriculum and the fixing of a low school-leaving age resulted from the fear of educating children "out of their station." The "ladder" of education, much less the "highway," had not been conceived of by the practical statesman. There was a wide and impassable gulf fixed between elementary and higher schools. Apart from the great public schools, there was a number of ancient grammar schools, usually depending on a meagre income from endowments and charitable gifts, and farmed out to ill-paid headmasters who made their income mainly by taking "boarders." In these schools the classics were the staple of education, since the entrance and scholarship examinations of the older universities governed the choice of curriculum. The methods of teaching were conservative; they clung as long as possible to a tradition "untainted by contact with science and modern studies." There was also a number of "private adventure" schools of varying efficiency; some very successfully carried out their function of preparing the sons of wealthy parents for admission to the public schools or universities; others were badly staffed and badly organized. These schools were carried on without public aid and free from State regulation. There was, in fact, no public provision for secondary education. The Endowed School Acts of 1869 and 1874, however, did much to encourage secondary education by diverting to the use of trustees of decaying or defunct grammar schools charitable funds which had been idly accumulating in the hands of the Charity Commissioners. In such schools the curriculum was remodelled in accordance with the requirements of pupils

destined for commercial and industrial life, few of whom would proceed to higher centres of learning. At the same time a beginning was made with the provision of secondary education for the children of poor parents by the establishment of foundation scholarships out of part of the new endowments. In several cases it was found possible to provide funds for a secondary school for girls. This was a strikingly new departure, and is significant of the rapid advance in social ideas and of the growing emancipation from outworn habits of thought. Girton College was founded in Hitchin in 1869, the Girls' Public Day School Company in 1873, and eight years later Newnham came into existence.

The direction of future progress in both elementary and secondary education was now tolerably clear. There should be a more systematic grading of schools with more scholarships, so that the community should not be impoverished by the waste of merit and ability. A specially-trained profession of teachers, with a sense of vocation, should be attracted into the service of education. The curricula of the schools, without sacrifice of the humanistic elements, should be brought into closer touch with a scientific and commercial age. Greater provision must be made, as the Commission on the Depression of Trade urged in 1886, for technical instruction, so that our industries might be the better equipped to meet the competition of foreign manufacturers.

The Religious Controversy in the Schools. Unfortunately, the wheels of educational progress were clogged by the bitter religious controversy which was waged about the schools. The battle between the advocates of secular schools and the defenders of a voluntary system with definitely religious teaching had been fairly joined in 1869 when the Education League and the Education Union fought for the adoption of their respective policies in the

Bill before Parliament. The Act of 1870 compromised the matter by the expedient of the "conscience clause," whereby a parent, objecting to a particular form of religious teaching, yet having no alternative but to send his child to a sectarian school, could withdraw him for the period of such lesson, which was placed for convenience at the beginning or end of the school session. In the "Board Schools" religious instruction took the form of simple Bible study, made compulsory by the "Cowper-Temple clause" in the Act.

At first the healthy competition between the two types of school probably made for improved efficiency in both. But as the standards were raised, expenditure became heavier. While the Education rate levied for the purposes of the School Board was steadily mounting, the voluntary managers found it increasingly difficult to raise sufficient funds from subscriptions to keep their schools in an equal state of efficiency. Frequently two schools existed where one would have sufficed for the needs of the locality. Every attempt to establish a unified national system was met by the opposition of the Church of England on the one side and of the Dissenters on the other, ranging themselves respectively in the Conservative and Liberal political camps.

Preoccupation with the religious question postponed educational reform for a generation. Meanwhile the local authorities were put to various shifts to meet the demand which was arising for teaching above the elementary grade. The School Boards had no power to levy rates for other than elementary teaching. The County Councils established in 1888 were empowered to levy a penny rate for technical instruction. Secondary schools still continued to depend almost entirely on endowments, fees, and subscriptions. In the majority of towns there was no provision for teaching other than elementary.

In consequence, the School Boards stretched their powers and used part of the product of the education rate for the purpose of adding upper standards to the primary schools, and establishing evening classes. When the Cockerton Judgment of 1900 held such expenditure to be illegal, the provision and control of both elementary and secondary education by a co-ordinating authority became urgently necessary, and the consequence was the Education Act of 1902, introduced by Mr. A. J. (now Lord) Balfour.

§ THE EDUCATION ACT OF 1902

Notwithstanding the excellent work which had been done by the School Boards, they were now abolished in the interests of a higher efficiency. Their powers were transferred to already existing authorities. Except in the larger urban districts and boroughs, which were given full control of elementary schools in their areas with limited powers to raise a rate for this purpose, the county and county borough authorities were entrusted with the administration of elementary, secondary, and technical education. Their functions devolved on standing committees which included co-opted members. Many duties were delegated to Education Sub-Committees of the smaller Boroughs and Urban Districts. In populous areas, the Education Committee of the County or County Borough, by reason of the importance of its functions and its proportionately large expenditure, tended to become in fact, though not in theory and in law, an almost autonomous body.

The Bill did not offer a solution of the difficulties of the dual system. As long as Churchmen objected to colourless Biblical teaching, and Nonconformists to the teaching of creeds, there could be no uniformity except on the basis of purely secular teaching which found few supporters. The proposal to assist denominational schools

out of local rates was uncompromisingly denounced by the Liberals, who proceeded to organize a movement of "passive resistance" to the payment of the education rate.

Notwithstanding the almost insuperable difficulty which was presented by the religious problem in elementary schools, the Act provided the machinery which would enable progressive local authorities to lay the foundations of a comprehensive scheme of education from the primary to the university stage. They were empowered to build and maintain secondary and technical schools, to use local rates for junior and senior scholarships, and to assist in the provision of university education. They could establish evening continuation schools for part-time education in commercial and technical subjects, and could undertake the training of teachers. Each year saw some extension of the powers and resources of the education authorities. They were given further powers of raising rates for special purposes ancillary to education, and a new system of Treasury grants was calculated to afford greater scope for initiative and experiment suited to local needs.

§ HIGHER EDUCATION

The Universities. Just at the time when the foundations of a national system of elementary education were being laid, important changes were proceeding in the older universities. These changes tended to break down the exclusiveness which had made Oxford and Cambridge until now the preserves of a social class. Not until 1854 was a Dissenter allowed to take the bachelor's degree. Even after that time he was precluded from taking a higher degree, and though he could compete for the great University prizes he could not enjoy them. In 1871 a measure, which had been five times rejected by the House of Lords,

was passed, opening nearly all offices and degrees in the Universities without theological distinction.¹

It had been objected that the abolition of religious tests would result in the decay of religious sentiment, but the spread of a more tolerant spirit through every social class bore down all arguments suggested by party spirit against the incursion of new ideas. "The long delay in opening the English Universities to Dissenters," wrote Lecky, "has been a great misfortune. It shut out whole generations from one of the best boons that a nation could offer to her children. It added something to the acerbity and much to the narrowness of the Nonconformist spirit, and the unworthy and reactionary attitude of the House of Lords on this and on kindred religious questions contributed perhaps more than any other cause to alienate from that House the Liberal sentiment of England. . . . It was once my privilege to receive an honorary degree from the University of Oxford in company with a great and venerable writer, who had long been the most illustrious figure in English Unitarianism, as well as one of the chief defenders of a spiritualist philosophy. I can well remember the touching language in which Dr. Martineau then described the dark shadow which his exclusion on account of his faith from English University life had thrown over his youth, and the strange feeling with which he found himself entering, at the age of eighty, an honoured and invited member, where fifty or sixty years before he and all other Dissenters had been so rigidly proscribed."²

¹ Lecky, *Democracy and Liberty*, I, p. 430, and see Dicey, *Law and Opinion in England*: "The University Tests Act, 1871, in effect abolished tests in the Universities of Oxford and Cambridge; it relieved persons taking lay academical degrees or taking or holding lay academical or collegiate offices from being required to subscribe any article or formulary of faith, or to make any declaration of religious belief or profession" (p. 481). Tests for divinity degrees were not abolished until quite recently.

² Lecky, *Democracy and Liberty*, pp. 431-2.

Extra-mural University Education. The spirit of the age cannot be better illustrated than by reference to the rapid spread of university education into regions remote from the traditional centres, and among classes hitherto untouched by the influence of humane studies. Not only were the doors of the older universities opened more widely *inwards*, but there was also a manifest impulse to open them *outwards*. Culture was not a selfish possession to be hoarded; if it were to mean all that it ought to mean for the fortunate individual who possessed it, it must be shared. From the social standpoint the belief gained acceptance that "every normal human being is rightful heir to the ideals of his race, and is indeed only human to the extent of his actual inheritance of these."¹ Here the individual and the social standpoints chanced to coincide, and the consequence was a spontaneous growth of extra-mural organizations for sharing with the people at large the culture inheritance of the ancient universities.

The impulse manifested itself in the 'seventies in two separate directions. The first of these was the University Extension Movement, dating from 1872. Since its foundation, there is probably no provincial town or even larger village which has not at intervals enjoyed the intellectual stimulus which the weekly visit of a scholarly lecturer of attractive personality has brought. No educational agency in this country has done more to popularize humane studies among the people. But its appeal was mainly to the middle and substantial artisan classes who were already disposed to place a high value on knowledge. It left untouched the submerged masses in whom, by reason of the deficiencies of their early education or industrial training, no intellectual curiosity had ever been aroused.

In 1879 the lectures of Professor T. H. Green, a disciple of Dr. Benjamin Jowett, at Oxford, quickened

¹ Branford, *Interpretations and Forecasts*, p. 384.

among a group of young Balliol scholars a sense of social responsibility which found expression in the Social Settlement Movement, imperishably associated with the name of Arnold Toynbee. In commemoration of his work Toynbee Hall was founded in 1884, a centre for that humaner education which alone could bring "sweetness and light" into the lives of working men and women in a great city. No movement has done more to produce a community of mental outlook between social classes through fellowship in study, broad religious tolerance, brotherhood and mutual aid. It brought the student out of his seclusion and compelled him to test his theories in the hard world of experience. It lifted the worker out of the dull routine of his wage-earning into the world of ideas and imagination. The movement "synchronized with an outpouring from the universities of ardent souls singly aroused to the desolation and dreariness of the industrial cities, the misery and poverty of their inhabitants." These went forth, "Franciscan Friars of the humanities, social and cultural,"¹ to bridge the gulf between art and industry, between intellect and social life, between business and morals or religion. Every university and most public schools are now linked up with settlements where there is scope for those who have the sense of vocation to repay to the community in service some part of the debt which they owe to it for the priceless opportunities they have themselves enjoyed.

The impulse which started the University Extension and the Settlement movements flowed out of the older universities; each may be regarded as an attempt to correct the inequalities of which the social conscience of the educated classes had become painfully aware. About the same time an impulse surged up from below, in satisfaction of which the new, democratic, provincial Universities were

¹ Branford, *Interpretations and Forecasts*, p. 370.

established. Some of them arose in consequence of a growing civic activity (as in Birmingham) combined with the demands of the leaders of industry for the advancement of scientific and commercial knowledge. Others (e.g. the University College of Aberystwyth) were founded on a national sentiment seeking to express itself in a democratic institution which would preserve and perpetuate the cultural traditions of an ancient people. Others again (e.g. Bristol) owe their existence to generous benefactors who came forward with princely gifts to endow colleges which would open careers to talent and worthily commemorate the founders. In addition to those already mentioned, within the short space of a dozen years (1872-84) colleges of university rank were founded at Manchester, Leeds, Sheffield, Nottingham, Liverpool, Cardiff and Bangor. These took their place beside the older University College and King's College in London, as centres of academic learning and scientific research in close relation to the character and needs of particular districts. They came into existence at a time when a great wave of democratic enthusiasm for education was passing over the land. The pence of the poor¹ and the donations of the rich which had brought them into being were in 1889 supplemented by Treasury Grants and assistance from county rates; these funds made possible the founding of scholarships, the erection of suitable buildings, and the addition of new faculties. They have since been empowered to grant degrees.

The Workers' Educational Association. The democratic movement in education some years later took yet another direction with the foundation of the Workers' Educational Association by Dr. Albert Mansbridge in

¹ It is said that, in 1879, 73,000 persons, including shepherds, colliers, and quarrymen, contributed to the funds of Aberystwyth College. *University College of Wales, Aberystwyth. A Short History*, by J. O. Francis.

1903. For the first time the organized forces of labour in trade unions and co-operative societies knocked at the door of the universities and asked for light and guidance from those who were competent to give it. On account of the rapid growth of organizations of working people and of labour representation on public bodies, the demand for instructed and educated leadership increased much faster than the supply. So far the Press, the public libraries, popular manuals of science and cheap reprints of the classics of literature had provided the thoughtful industrial worker with the means of self-education. There was also the Mutual Improvement Society or the Literary and Debating Society with its miscellaneous programme which combined amusement with instruction, and to some extent afforded a means of self-expression. But such agencies were altogether inadequate to meet the new demand for courses of systematic study under professional guidance and inspiration pursued by small groups of working people, self-constituted and self-determining, where in a spirit of co-operation and earnest striving, knowledge might be related to life, and facts to ideals. The adult mind, already well schooled in experience, approached knowledge from a different angle, and the universities, in developing a new form of extra-mural extension, had to call in the assistance of a new type of lecturer prepared to discard the high, academic tone, and to enter in the spirit of one still open to learn.

The movement, drawing support from individual students, the local education authorities, the universities, and many organizations of working people, has grown to national and even world-wide importance within the short space of about twenty years.

Technical Education. Factory industry and *laissez-faire* killed the apprenticeship system. Originally set up by Queen Elizabeth, it had sufficed for the technical

training of the domestic handicraftsmen until the age of mechanical power arrived. The new machines rendered obsolete many forms of manual skill, and many a cherished trade secret and many a carefully acquired mental aptitude of computing or laying out work ceased to have value. Machine industry called for new aptitudes and was based on new principles. Traditional methods, useful in a stationary world, were useless when with the advance of science new processes constantly superseded old ones. A new habit of mind had to be created, responsive to change, receptive of new knowledge, adventurous and imaginative. The conditions under which the trade and manufactures of Great Britain had developed from 1770 to 1870 had induced in the leaders of industry and commerce the conviction that science was all very well, but that an ounce of practice was worth a pound of theory.¹

The Commissioners of 1886 complained of the neglect of science and the absence of provision for technical training, and came to the conclusion that this was an important explanation of the disquieting fact that we were losing our industrial supremacy to Germany and the United States.

Darwin's *Origin of Species* had been published in 1859. Four years later appeared Herbert Spencer's *Treatise on Education*. Each of these books contributed to the spread of the idea that science should take a more prominent part in English education. Industrially, the "fittest" were those whose scientific equipment was most complete. Mr. Mundella in 1881 induced the Government to appoint a Royal Commission "to inquire into the instruction of the industrial classes of certain foreign countries in technical and other subjects, for the purpose of comparison with that of the corresponding classes in this country; and into the

¹ Many of the greatest of them, e.g. Sir Joseph Whitworth, had no technical training beyond what they had acquired in engineering shops.

influence of such instruction on manufacturing and other industries at home and abroad." The report was issued in 1884, and in 1889 the first Technical Instruction Act was passed, authorizing the County Councils to provide for technical and manual instruction, and to use for that purpose the proceeds of certain taxes on beer and spirits ("whisky money"), supplemented by a small local rate. For Wales special arrangements were made by the Intermediate Education Act of the same year. These Acts did for technical education what the Act of 1870 had done for elementary. However well voluntary agencies (e.g. the City and Guilds of London, founded in 1880 by the Corporation and Livery Companies of London) might do their work, there was need for public provision on a wider scale. The Polytechnics of London, of which the only two in existence in 1889 were the Regent Street Institute and the People's Palace at Whitechapel, were now enabled to grow rapidly. Evening classes were established in every large centre. These institutions took the place of the Mechanics' Institutes of an earlier day.

§ THE EDUCATION ACT OF 1918

The soul-stirrings of the war-years brought to the surface uncounted new hopes and aspirations for human society, and many of these were crystallized in the legislation of the years 1918 to 1920. Of the social reforms of these years none have availed so much, notwithstanding that it has had but a partial fulfilment, as the Education Act of 1918. The social sentiment created by the War approved of, and even demanded, a forward move in the provision of public education, and Parliament, inspired by generous ideals and hopes for the after-war epoch, adopted with enthusiasm the proposals of Mr. H. A. L. Fisher, the Minister for Education. For once, the question of cost hardly entered into discussion. The end to be achieved was an

essential part of the "reconstruction" which was to follow the War.

The new Act contemplated the development of education, in accordance with schemes which County Councils were asked to submit for the improvement and extension of facilities within their own areas, or for certain purposes in joint areas. These schemes were to form the basis for "the establishment of a national system of public education, available for all persons capable of profiting thereby." The Act abolished all exemptions from school attendance for children below the age of fourteen, and gave to the local authorities discretion to raise the age to fifteen within their own areas. To meet the needs of older children, the limitations which had narrowly restricted the curriculum of the public elementary schools were removed, and fuller provision was made for practical instruction. Medical inspection was to be extended and the supply and training of teachers improved.

Hitherto, for nineteen-twentieths of the people, our educational system came to a sudden stop at the age of adolescence or sooner, and at intervals in each year, hundreds of thousands of boys and girls were thrown into the labour market with no more than the rudiments of knowledge. Economic pressure compelled most of these to look for "jobs" which might contribute some relief to the family budget, but might or might not give opportunities for the acquirement of further knowledge or useful skill. After four or five years the end of the "blind alley" was already in sight and many a young man, lacking industrial training, and cut off from opportunities of acquiring it, became an unskilled labourer, his livelihood threatened by every revolution of the trade cycle.

The proposal to introduce a compulsory system of part-time continued education was urged, firstly, on the ground that a broader general education than was possible under

ordinary school conditions, together with training in the practice and theory of some form of craftsmanship, would improve the industrial quality of the people and protect them from the vicissitudes to which the worker without knowledge and without skill was exposed. It was advocated also as a means of dealing with the post-war industrial situation and particularly of relieving the overstocked labour market during the period of transition to normal conditions.

The Act required every county and county borough, after a date to be appointed, to provide opportunities for "study, instruction and physical training" during 320 hours in a year for all young persons (from 14 to 18 years of age) resident in their areas. Employers were to be compelled to release their younger employees at reasonable times for attendance. To meet the objections of those who pleaded for time to reorganize their staffs, the requirements were to be modified for the first seven years, during which period compulsion was to be enforced only on those between the ages of 14 and 16, and for a minimum of 280 hours.

For the next two or three years much thought and labour were expended on the problem of the organization of compulsory day continuation schools, and in 1921 some authorities (e.g. the London County Council) made a beginning. But the industrial situation was rapidly changing. The post-war trade bubble had burst, and a period of severe depression set in, with falling wages, industrial warfare, widespread unemployment, an insistent demand for economy in public expenditure, and in general a complete reversal of the public sentiment which a year or two previously had welcomed the idea of educational development. A courageous attempt was made to save the situation, but the pressure of events was too strong. Those authorities which had initiated schemes of compulsory continuation

schools either abandoned them or reorganized them on a voluntary basis, while those who had not gone so far postponed their plans indefinitely.

There were many other provisions in the Act which were put into force immediately after its passage through Parliament, and have led to important advances. There were further restrictions on the employment of school children; provision was made for nursery schools, for holiday and school camps, and for central schools for pupils from 12 to 15 years of age. To enable parents to keep their children longer at school, and to compensate them for the loss of their children's earnings, maintenance allowances were increased. Money was voted more generously to the universities and scientific research was encouraged.

An important section of the Act dealt with Adult Education. Even in the years preceding the war the idea of education as a process to be cut suddenly short at the age of 14, 18 or 22, as the case might be, was rapidly changing to a conception of education as a process continuing through life. The vocational aspect was seen to be only one of many, and the provision of education for the enrichment of leisure was regarded as coming properly within the scope of the public authorities. The Education Act of 1918 gave every encouragement to this idea and grants-in-aid were made to local authorities who were prepared to encourage part-time adult education within their areas, either by supporting voluntary agencies undertaking this work or by providing direct facilities.

The "evening school" of a former generation has thus considerably broadened its basis. London, for example, now devotes public funds to the provision of facilities for literary, cultural, domestic, and recreational courses, in special institutions for men and women who wish to cultivate deeper intellectual interests, to equip themselves for social service, or to find relaxation in hobbies, quite apart

from any self-seeking motive of economic advancement.¹ Prompted by the same needs the Women's Institutes are brightening up our villages and breaking down the monotony of rural life.

Public Libraries. In 1880 Mr. Andrew Carnegie wrote from New York to the Provost of Dunfermline, offering to present the town with a free library. Although, by an Act passed in 1852, local authorities were given permission to establish and maintain libraries out of public funds, only two out of sixty-seven metropolitan parishes had by 1886 exercised their powers.² The stimulus given to the free library movement by the generous Carnegie endowments quickly led to the establishment of libraries in many parts of the country. But the statutory limitation of expenditure by local authorities to the proceeds of a penny rate checked development. After the death of Mr. Carnegie in 1915, the Carnegie United Kingdom Trust was formed to continue his work, and in particular to relieve the monotony of village life by encouraging the library movement in rural areas. The experience of the Trust led to the Public Libraries Act of 1919, which enlarged the powers of local authorities wishing to provide free libraries.

Of recent years there has been a demand for the treatment of the problem of library provision on a national scale. "At the present time the provision of libraries is more haphazard and less organized than was elementary education before the passing of the Education Act in 1870."³ Some areas are over supplied, and some are starved of books. There is overlapping and duplication

¹ See *A Guide to Continued Education in London: Privileges of Citizenship Series No. 1* (published by Hodder and Stoughton, Ltd., for the London County Council).

² Escott, *Social Transformations of the Victorian Age*, p. 366.

³ John Ballinger, *Libraries and their Functions, A Plea for an Enquiry and a Policy* (The Librarian's Guide, 1923).

in contiguous districts where co-ordination would result in better facilities at a reduced cost. In proportion to the insignificance of the expenditure involved, it is not easy to point out any popular institution with such possibilities of social usefulness as the free library, and it is probable that we have so far realized but few of the numerous methods by which it may contribute to the well-being of the community.

CHAPTER XII

THE ART OF GOVERNMENT

AFTER the death of Lord Palmerston in 1865 the question of an extension of the franchise again entered the field of practical politics. The continued growth of large towns and the shifting of the population as a result of economic developments made a measure of redistribution urgent. This was clearly impracticable unless accompanied by the enfranchisement of the large class of skilled artisans who were, through the stimulus of trade unionism, quickly awakening into consciousness of their political power. Lord John Russell (now nearing the end of his rôle as "Lord John Reformer") had been disappointed in 1866 by the apathy of Southern England, and his bill for the extension of the franchise suffered shipwreck.

The Argument for Democracy. But events moved rapidly under Disraeli's leadership. The philosophical ground of the argument for a broader basis of representation had been supplied by Mill, whose *Representative Government* was the political text-book of the Radicals of the 'sixties. He had shown that it was not only unjust but it was also dangerous to leave large masses of the people outside the circle of civic rights and duties. Unless citizens were first entrusted with the *exercise* of responsibility, they could never acquire the *sense* of responsibility; nor could they be held morally accountable for the consequences of State policy in the determination of which they had neither lot nor share. This teaching was proclaimed to the nation by the eloquence of William Ewart Gladstone and John Bright. The burden of proof, they said, rested with those who would deny an elementary

right of citizenship to nine-tenths of the people. The teaching was translated into action by the political genius of Benjamin Disraeli, anxious to reorganize the new urban populations as a Tory democracy.

§ PARLIAMENTARY REFORM

Reform Act of 1867. The faint breeze of which Lord John Russell had complained swelled into a gale, which at one time threatened disaster. But the danger was averted by the timely concession of the second Reform Bill of 1867, and the revolutionary movement was forestalled. About a million voters were thereby added to the electorate. The centre of gravity of political power was shifted from the trading and professional middle classes to the skilled artisans of the towns. An attempt was made to devise an automatic brake which would check the impetus of democratic advance, but the opposition of Gladstone was successful in securing a withdrawal of the clauses bestowing the privilege of a second vote for certain educational and property qualifications. On the contrary, by securing the vote for "£10 lodgers" and a lower rental qualification in the county constituencies, the Liberals turned a measure of moderate reform into a charter of democracy.

But no man possessing a political sense could regard the process as having reached the stage of finality. Every argument derived from a philosophic conception of State organization was as valid for the claim of the agricultural labourer as for that of the town artisan. The spread of education, the closer organization of the workers, and their broadening outlook due to easier communications and the spread of information through the newspaper press, now penetrating even into the remoter country districts, brought about a condition of public sentiment which viewed the extension of the franchise to the villages and

cottages of England as an elementary act of political justice. Moreover, in rural, as well as in urban areas, the political education of the people, which Mill had regarded as one of the greatest benefits to be derived from representative institutions, had been promoted by the administration of the recent Public Health and Education Acts by locally elected authorities. Plain logic dictated that those who were charged with the duty of administering, or of electing representatives to administer, the law, and of paying rates and taxes to meet the expenditure involved, should also themselves share the responsibility of making the laws. Finally, the spirit of association was at work among the peasantry, and Joseph Arch came forward to give articulate expression to the hopes and desires of a class which was also awakening, if but slowly, to an awareness of its social, industrial and political significance. The moment was auspicious, inasmuch as the reaction against the extravagant Jingoism of the late 'seventies was in full swing; and the grant of a further instalment of reform coincided with the supposed interests of each of the great political parties.

Reform Act of 1884. Mr. Gladstone's Act of 1884 extended to the counties the household suffrage already existing in the boroughs, and a supplementary Act in the following year, by reducing the representation of all except the largest borough constituencies to a single member, made a further approximation to the principle of "one vote, one value," though not of "one man, one vote." The electorate was enlarged by twice the number which had been added in 1867, and there was now hardly a household in town or country which was denied a share of political power. In particular the agricultural labourer at last found himself in possession of the elementary rights of citizenship. The emancipation of rural England may be said to have begun.

Reform Act of 1918. The fourth great extension of the parliamentary franchise took place in 1918. It followed as a corollary of the virtual conscription of national effort for the purposes of the War. Women, too, had played such a large part in the field, in the workshop, in the office, and in the home, to uphold the cause of the nation, that it was now impossible to deny to them any longer the right to exercise political judgment. While the Militant Suffrage Movement of 1911-14, with its window-breaking, picture-slashing, house-burning and hunger-striking, had failed to convince the nation of the justice of the claim, the argument of useful service rendered had prevailed. Even now, an age qualification of thirty years was required from single women voters, but it was clear that nothing could delay for long the total abolition of sex distinctions in political affairs.

The boldness of the measure may be estimated by comparison with the earlier Reform Acts. That of 1884 enfranchised two million voters, while that of 1918 added to the electorate no fewer than eight million ; of these six million were women (five million married, one million single).

In the same year the proposal for the admission of women into Parliament met with no serious opposition. A Bill of a single operative clause was passed: "A woman shall not be disqualified by sex or marriage from being elected to or sitting or voting as a member of the Commons House of Parliament." Since there was no mention of age, there arose the curious anomaly that women under thirty years of age were eligible to serve as members of Parliament but not "if single" to vote at elections.

Notwithstanding the failure of the tentative effort which was made in 1924 to round off the process begun in 1832, there can be no doubt that the logic of events will in process of time carry the nation forward to universal adult suffrage,

and so once more justify the early foresight of the framers of the People's Charter.¹

While these changes were taking place there were frequent attempts to introduce the principle of Proportional Representation, designed to safeguard the interests of minorities. There was conflict between the two Houses on this point in 1918. The House of Lords accepted an amendment to the new Reform Bill, applying the principle to the whole country. This was rejected by the Commons, and, although Commissioners were appointed to draft a scheme for the election of 100 members by Proportional Representation as an experiment, the only constituencies in Great Britain at present where the principle has been applied are the two-member University constituencies. It is, however, noteworthy that all elections to the Parliament of the Irish Free State are conducted on a "P.R." basis.

House of Lords Reform. Another important constitutional reform which has been considerably discussed in recent years is the introduction of the representative principle into the House of Lords, with or without a hereditary element in combination.

As early as 1884 Lord Rosebery had suggested to the House of Lords that it should enquire into the best means of promoting its own efficiency "by life peerage or otherwise," and the House of Commons at the same time debated the question of removing the Bishops from the Upper Chamber. Lord Dunraven, in 1888, introduced proposals which were not acceptable, and again, in 1894, Lord Rosebery urged the need for reform. While the constitution of the House of Commons had been changed three times in sixty

¹ The Six Points of the People's Charter (published in 1838) were universal suffrage, annual parliaments, secret ballots, equal electoral districts, abolition of property qualifications, and payment of members.

years, the House of Lords had remained unchanged, and was said to be out of touch with popular institutions. The immediate cause for the agitation was the unyielding attitude of the Lords on the Home Rule issue, and their opposition to Liberal legislation. The question of "mending" or "ending" became prominent in the era of acute political strife which began about 1906, when a Liberal majority in the House of Commons was again baulked by a hostile majority in the Second Chamber.

The conflict between the two houses was brought to a head by the action of the Lords in rejecting the budget of 1909. The immediate issue was settled by the Veto Resolutions (sometimes called the Parliament Act) of 1911. Thereby the House of Lords was disabled from rejecting or amending a Money Bill; in the case of other bills, it was provided that measures which passed the House of Commons in identical form in three successive sessions should become law, notwithstanding continued opposition in the Upper Chamber. Only under the compulsion of a threat to create sufficient new peers to ensure the passage of these resolutions, were they accepted by the House of Lords.

The settlement was recognized as being nothing more than a temporary expedient to meet a particular situation. There was general agreement that if Second Chamber Government in England were to survive at all, a more or less drastic reconstitution of the existing House of Lords must take place, if possible by agreement, such as that by which a compromise on the vexed question of Women's Suffrage had recently been arrived at. Under the chairmanship of Viscount Bryce, a representative conference considered very carefully suggestions for reform, and finally adopted the principle of the election of a majority of the Second Chamber for a term of twelve years by the members of the first. In the event of conflict of opinion, there should

be a "Free Conference" of sixty members, thirty chosen from each chamber, with an absolute power of veto and considerable powers of amendment.¹

An attempt by a Cabinet Committee in 1922 to frame a scheme proved abortive. It was disappointing to the Lords because it passed over the Bryce proposal of the Free Conference and perpetuated the procedure laid down in the Parliament Act. Moreover, it left unsolved the difficult problem of how and by whom the elected members of the Second Chamber were to be chosen. Although House of Lords Reform continues to figure in the "platform" of each of the political parties, nothing has so far been done to give effect to the desire to create a chamber that shall command popular confidence and discharge efficiently its functions as a revisionary body.

§ THE PARTY SYSTEM

Constitutional Change. The controversy which raged about the Lloyd George Budgets loosed all the forces of action and reaction, and brought in an era of rapid constitutional change which has continued up to the present. The parliamentary traditions established in the Gladstonian age passed away, and new political methods came into use which were thought to express more accurately the needs of a new age.

We note first that the character of the influence wielded by the Cabinet has undergone a profound change. Walter Bagehot, discussing in 1872² the main characteristics of the constitutional practice of his own day, laid stress upon the Cabinet as a connecting link between the Legislature and the Executive, and pointed out its subservience to the

¹ See Lees-Smith, *Second Chambers in Theory and Practice*, Chap. XI.

² Walter Bagehot, Introduction to Second Edition of *The English Constitution*.

ruling party majority in Parliament. To-day we find that the Cabinet, by reserving almost entirely to itself the initiative in legislation, and by insisting on party discipline under the threat of dissolution or the withdrawal of support in the constituencies, has won for itself a dominating position. The private member of Parliament feels his impotence in face of a dictatorial Cabinet, and this feeling often drives him to choose the Press rather than the floor of the House of Commons as a platform for the advocacy of his views. It has come to be felt that there is a certain unreality about proceedings in Parliament, which is in danger of losing its character as a serious council chamber. In parliamentary procedure tactics have become a more effectual weapon than argument.

The Party System. Further, Bagehot's analysis was based on the duality of parties, a condition which has now passed away. The growth of Labour representation since 1906, and especially since the War, has definitely introduced a third party. We have recently had to mould our constitutional conventions (e.g. with regard to the procedure consequent on a government defeat in the House of Commons) to accord with a situation in which no section commanded a majority either in the House of Commons or in the constituencies. During the greater part of 1924 the Government, holding "office without power," was able to carry through its measures only with the acquiescence of one or other of the remaining parties; it therefore became necessary to interpret the rules of procedure in the light of new conventions of Parliament.

Future of the Party System. It is possible that in the future the adoption of some new social policy may result in a fresh cleavage of political parties, and range the forces on two sides of a clearly defined battle-line. But the tendency of the age is rather in the opposite direction. Fifty years ago Parliament represented only a narrow

class ; Liberal and Conservative belonged to the same social stratum and shared the same social outlook. Political division did not penetrate deeply : the opposition of parties was based upon measures rather than upon principles. Their antagonism was not complicated by baffling cross-currents of opinion. There were no profound differences of character resulting from differences of social origin, education and environment, and however acute the controversy, when once a decision was reached, the party line melted away and the House of Commons became once again " the first club in the land," until a new question should arise to summon the forces back into position. In a modern Parliament, the conditions are different. Among the members are men and women of every social class, with every conceivable variety of experience of life, most of them in close relation to organized groups outside Parliament, and representing enormously increased constituencies. These are faced not with one or two clear-cut legislative proposals which they are invited to debate, but with half a dozen policies for a general reconstruction of society which no one has yet succeeded in reducing into the scope of a manageable parliamentary bill. In these circumstances, only the most arbitrary exercise of coercion by the party managers can produce even a semblance of discipline. The lines of cleavage now run in as many directions as there are twists and turns in the path of advance towards the goal of social and political endeavour. The fight is no longer a frontal attack on a line of ramparts but a confused *melée*, with flanking and outflanking movements along an irregular line, in which the combatants run grave danger from the cross-fire of their own political friends.

Devolution. The business of modern government has become extremely complex and the average member is expected to give more of his time to committee work on

details so that deliberation on matters of general policy is apt to be crowded out or conducted in midnight sittings. Moreover, the volume of business to be transacted has grown with every new extension of the functions of government. This increase in volume and in complexity has thrown an intolerable burden upon Parliament and powerful influences are at work towards decentralization. The authors of the Act which created the County Councils at first contemplated a somewhat considerable delegation of powers by Parliament, but this was not then favoured. To-day the matter is far more urgent, and many problems which it is beyond the powers of an over-worked body to deal with are awaiting such a measure of devolution.

Much may have been accomplished for the quicker despatch of routine by the introduction of the business expert into the Ministries of the past few years, but it is possible that more would be achieved by the creation of subordinate legislatures to deal with certain defined matters in areas consisting of groups of counties. It is argued that parliament would thereby suffer no detraction from her universal competence, but might on the contrary recover some of her lost prestige.

The probable solution is in the direction of re-arranging and enlarging areas of local government. For many purposes, e.g. transit (roads and tramways), electric power, poor relief and education, it is suggested that the present areas are much too small. For the purposes of water supply and the police organization, for example, the limits of the county area of London have already been overstepped, and the operations of the Metropolitan Water Board and the Metropolitan Police Board provide a standing argument for the creation of an authority for "Greater London." Advocates of devolution urge that important powers of legislation might be delegated by

Parliament to such an authority, and that more of the work of inspection and supervision now conducted by the central departments might, with a gain in economy and without loss in efficiency, be entrusted to the administrative officials of the subordinate legislatures.

§ THE CIVIL SERVICE

"The history of the last fifty years of the Civil Service has represented a steadily growing tendency to substitute the principle of competition for the pre-existing principle of personal patronage in the case of all appointments in Public Departments."¹ The recommendations made by Sir Charles Trevelyan and Sir Stafford Northcote, appointed by Mr. Gladstone in 1853 to enquire into the question of reform, were assailed with "sarcasm, ridicule, and gloomy prophecies of evil,"² notwithstanding the fact that they were based on the principle of open competition, which Macaulay had already introduced into the Indian Civil Service. It was not until 1870 that an Order in Council made the competitive test obligatory. The question of internal organization was investigated by the Playfair Committee of 1874, who considered further the methods of selecting Civil Servants, the principles of transfer within the departments, and the possibilities of grading. The Ridley Commission of 1886 confirmed the general principle of the Playfair scheme, which was that of a grading of labour throughout the service, with an approximate standard of recruitment at each level: the Lower (or Second) Clerical Division for routine work; the Higher (or First) Clerical Division for more responsible duties demanding judgment and initiative; the administrative or staff rank

¹ Ministry of Reconstruction Pamphlets, *The Business of Government*, III; *The Civil Service*.

² Moses, *The Civil Service of Great Britain* (Columbia University Press), p. 74.

for the determination of policy, the officers of which should be selected on merit from within or without the service.

Further reorganization of the Civil Service, to bring it into still closer touch with modern conditions, was considered by Lord MacDonnell's Commission of 1912. The educational system of the country had been undergoing important changes since the year when open competition was inaugurated, and as the examinations held by the Civil Service Commissioners had not altered much, they were said to favour unduly the candidates from particular types of school. The commission recommended that "the doors of the examination rooms, through which the service is entered, should be placed face to face with the doors of exit from the educational institutions of the country." The age of entrance into the several grades was made to correspond with the average age of completion of the usual stages of Secondary and University Education.

During the War it became necessary to enlarge most of the existing Civil Service Departments, as well as to set up new ones. From 1914 to 1918 the number of women employed in Government work increased more than tenfold. The Gladstone Committee of 1918 recognized that in the changed social conditions created by the war, and in view of the experience of the war years, it would be impossible to go back to the male exclusiveness of an earlier epoch. They recommended that the recruitment of women for certain kinds of work should be extended, and that women should be eligible for appointment to higher administrative posts of a special kind, although they should not enter into competition with men in the general examinations.

Probably the greatest hindrance to Civil Service reform has been "departmentalism." Organization of public business in watertight compartments, within which special systems of routine and records are developed, has led to duplication and waste. The "Bradbury Committee"

considered how far the principle of interchangeability of staff could be applied, and co-ordination established.

The greatest of the post-war problems in the Civil Service concerns the position of ex-service men. In 1914, the system of open examinations was suspended and recruitment proceeded on other principles. After the war, it became necessary to provide for the temporary employment of a certain number of officers and men demobilized from the forces, without regard to normal standards of intellectual and physical fitness. But in the interests of the general efficiency of the service, a return to the former high standards could not be unduly delayed, and a movement is now rapidly proceeding to end the temporary appointments ("combing out") and to place the more efficient officers on the permanent establishments, as a preliminary step towards the resumption of open competition.

With the abolition of purchase and patronage in Government departments, the work of the administrator passed out of the hands of the amateur and became a professional's job, demanding high qualities of intellect and character and involving careful training. No feature of modern constitutional development has been more marked than the transference of real power from Westminster to Whitehall—from the amateur politician in Parliament to the paid official who now drafts our laws and also administers them. When Walter Bagehot wrote his famous book *The English Constitution* in 1867, this fundamental change had scarcely begun. But after 1870 the work of government expanded so quickly that one department after another was created, and old ones were extended or subdivided, with the consequence that a specialist class of permanent civil servants has arisen. It has been said that our real governors to-day are the permanent heads of departments, without whose expert guidance our amateur political chiefs would flounder

helplessly. But there is another aspect to the matter which is still more significant. It may be noticed that the tendency of recent legislation has been to lay down a general principle and to leave the working out of its particular applications to the official department which it concerns. Largely as a result of the influence of war conditions on the relation between the legislative and the executive, government to-day tends to be carried on by ministerial proclamation and departmental regulation.

§ LOCAL GOVERNMENT

Parliamentary reform was invariably followed by the reform of local government. As the Reform Bill of 1832 had been closely succeeded by the Municipal Reform Act of 1834 and the Poor Law Amendment Act of 1835, so the second Reform Bill of 1867 was followed by the Education Act of 1870, the creation of the Local Government Board in 1871 and the Public Health Act of 1875. In a similar way, the third Reform Bill of 1884 was the prelude to the County Councils Act of 1888.

In the local as in the national sphere, the changes were all in the direction of substituting simplicity and uniformity where there had been complexity, equality where there had been privilege, unity where there had been division.

Local Government Prior to 1871. Even in the apologies for English local government before the reforming impulse was felt in this sphere, we find its faults confessed. "On the whole," wrote Lecky,¹ "it can hardly be questioned that, in spite of great complexities and incoherences of administration, and of many strange anomalies, England has been for many years singularly happy in her local government. The country gentlemen who chiefly managed her county government at least discharged their task with great integrity, and with a

¹ Lecky, *Democracy and Liberty*, I, p. 249.

very extensive and minute knowledge of the districts they ruled. They had their faults, but they were much more negative than positive. They did few things which they ought not to have done, but they left undone many things which they ought to have done. There was, in general, no corruption ; gross abuses were very rare, and public money was, on the whole, wisely and economically expended ; but evils that might have been remedied were often left untouched, and there was much need of a more active reforming spirit in county administration." This means that the voluntary or permissive principle in legislation for local needs had failed, and that the machinery of local government had proved ineffective for the carrying out of the provisions of the Acts relating to public health, the removal of nuisances, inspection of workshops, and housing. If the Acts were indifferently administered in the towns, they were totally inoperative in the rural districts.

Even where the "reforming spirit" was active, there was friction and delay resulting from the existence of innumerable bodies created for special purposes, with overlapping, competing and conflicting jurisdictions. "Petty Sessional Divisions (the sphere of the Justice of the Peace), Poor Law Unions, Highway Districts, Parishes and Counties, crossed and recrossed one another and were often complicated by municipalities, local boards, and other organizations of a special kind. Nearly all these authorities had power to appoint officers and to lay rates. Nowhere had the least regard been paid to uniformity of areas or convenience of administration.

"A strong central authority, with control over the whole sphere of internal administration, might have prevented or mitigated these evils. But no such central authority existed . . . Such central functions as existed were parcelled out between the Poor Law Board, the Home Office, the Medical Office, the Privy Council, and the

Board of Trade. Nor was there any regular system of inspection by the central over the local authorities."¹

In the middle part of the century there was widespread opposition to any administrative changes which threatened to weaken local autonomy and to strengthen central control. This opposition was a phase of the individualism of the predominant political class. The year 1871, in which the Local Government Board was established, marks the strong emergence of the social, as distinct from the individual, standpoint. It brought a general recognition of the fact that only by an efficient central control could the local authorities be compelled to reach a certain minimum standard of efficiency in administering public services which the community had come to regard as vital to its welfare.

The Local Government Board. The preamble to the Act which created the Local Government Board stated that its purpose was "to concentrate in one department of the Government the supervision of the laws relating to public health, the relief of the poor, and local government." A central body for the supervision, guidance, and stimulation of local authorities having been set up, the necessity for a reorganization of local government followed as a corollary. In 1872 the country was divided into urban and rural sanitary districts, and the machinery was now ready for the administration of the Public Health regulations which were codified in 1875. The Local Government Board took over also the supervision of the boards of guardians, and with respect to poor law administration carried central control ultimately to such a pitch as to deprive the local guardians of most of their initiative and discretionary power.

The Justices of the Peace. To sum up the position after 1872: there were three kinds of elected bodies for local

¹ Redlich and Hirst, *English Local Government*, p. 151.

purposes—the boards of guardians, the school boards, and the urban and rural district sanitary councils—each having its own special function, and no two of them elected on a similar franchise or operating over the same area. All residual functions of local government were vested in the Justices of the Peace, whose jurisdiction extended over the county area, and was exercised mainly in Quarter Sessions. In addition to their duties of summary jurisdiction on minor offences, they were as a body charged with the control of police, the issue of licences, the laying of rates, and the repair of the highways. They were totally independent of central control, and were answerable to no higher authority for their expenditure of public money.

There had been attempts for over thirty years to introduce the principle of representation into county government. But although the middle classes had introduced responsible government into the municipalities (in 1834), democratic institutions took root in the counties more slowly. Ownership of land continued to be the distinguishing mark of a superior social status. The enjoyment of an income from real property was still an essential qualification for membership of Parliament. Wealthy self-made merchants often aspired to set the seal of social success upon their advancement by purchasing country estates, founding county families, and dispensing patronage from the bench of justices. A country estate gave opportunities for exercising philanthropic impulses towards a dependent peasantry which would be out of place, and even of dangerous effect, in the factory town. In consequence, social influences operated to maintain the rule of privilege in the counties for half a century after it had disappeared in the boroughs.

The changing political situation in the 'seventies and the rapid extension of the sphere of government, in consequence

of new social legislation, gave to the office of Justice of the Peace the aspect of an interesting but increasingly useless survival from an obsolete scheme of government. The time was becoming ripe for the application of the democratic principle in county affairs. The co-ordination of the functions of existing authorities on some systematic plan was desperately urgent.

The Lines of Advance. The general lines of local government reform were thus clearly marked out by the time that the third great extension of the parliamentary franchise took place. County government must be placed on a representative basis, and smaller administrative units (for parishes and districts) created in subordination to the county authorities. The setting up of further *ad hoc* authorities must cease, and as the necessity arose, new functions should be allocated to existing bodies. There should be a simplification of areas, so that each parish should be wholly within a district, and each district wholly within a county for all purposes. The local franchise should be reformed on the principle of "one man, one vote," and the plural vote (e.g. in elections for boards of guardians, when each elector had from one to six votes in proportion to the rates he paid) should be abolished. These changes would involve a reconsideration of the whole question of central control, particularly in relation to finance.

Hitherto the only local burdens shouldered by the nation had been assumed to compensate the farmers threatened with loss by the repeal of the Corn Laws. After 1870 it became clear that much local expenditure was necessarily incurred for objects which were not purely local. The increasing mobility of the population, for example, made it imperative that the great trunk roads should be well kept, and it was obviously unjust to place the burden of their maintenance upon the villages or towns through which they happened to pass.

It was for a similar reason a national concern that the standard of sanitation should in no corner of England be permitted to fall below a certain minimum, whereby the safety of all might be imperilled. In consequence, the argument for an extension of State Aid was unanswerable, and in time grants were given more freely and for more diverse objects. These came to be regarded as a convenient device for securing central control and increasing efficiency. Inspection always went with grants in aid, and the threat of withholding them was a constant prick to urge on lazy or indifferent authorities to action. At the same time there was a tendency for the central authority itself to exercise compulsion where the permissive powers possessed by local bodies had been consistently allowed to remain unused or where plain duties, if unaccompanied by penalties, had been evaded. The codification of law relating to public health in 1875 did much to introduce uniformity and method into the chief department of local government. In addition, a system of central financial and inspectorial control was established which could be more generally applied as need arose.

Creation of County Councils, 1888. The reform of local government was an important item in the Radical programme of 1885,¹ but the first great measure of reconstruction was passed by a Conservative Parliament. The County Councils Act of 1888 carried further the process of bringing system and order out of chaos. The Justices of the Peace, while still allowed to retain their judicial functions, handed over their remaining administrative powers and duties to county councils directly elected by ratepayers on an equal voting basis. Towns of over

¹ The "unauthorized programme" of Joseph Chamberlain in 1885 included also the disestablishment of the Church of England, free education, graduated taxes, small holdings, and House of Lords Reform.

50,000 inhabitants were raised to the status of county boroughs. They were given rights of self-government which they exercised independently of the county councils. Notwithstanding the fact that the Bill in its passage through Parliament shed some most useful clauses (e.g. those relating to creation of urban and rural district councils, and those making provision for the delegation to the counties of powers till now exercised by the central departments) the Act nevertheless constituted a great and far-reaching reform. In many respects (e.g. the abolition of the plural vote) it was a more democratic measure than even the third Reform Bill, and although patronage survived by the perpetuation of the office of the Justice of the Peace, the great principle of "no taxation without representation" was again asserted as a cardinal feature of the English constitution. The county franchise was further remarkable because it admitted the principle of "votes for women," and women were also eligible for election.

The Work of the County Councils. The county councils to-day carry out most of their administrative and deliberative functions by means of committees to which they delegate most of their statutory powers. These concern the construction and maintenance of highways and bridges, the organization of public education, the administration of the Public Health Acts, the Food and Drugs Act, the Weights and Measures Act, and the Allotments and Small Holdings Acts. They provide and maintain isolation hospitals, pauper lunatic asylums and reformatories, and look after county property. In addition to these statutory committees, there are others for special purposes. A standing joint committee, representing the council and the Justices of the Peace, assembled in Quarter Sessions, controls the County Police. The revenue of the council is derived from the proceeds of county property,

the general or special county rate, Treasury grants in aid (e.g. for education), a share of certain revenue (e.g. from motor licences) earmarked for local purposes, such as road maintenance, and the profits derived from gas, electricity, water, tramway, and similar undertakings. The county council further exercises supervision over lesser authorities to whom some of its powers are delegated, e.g. the councils of non-county boroughs, urban districts, rural districts, and rural parishes. The councils of county boroughs exercise powers equivalent to those of the county council.

The Act creating the county councils did little to reform the areas, jurisdictions and finances of subordinate local authorities, and in particular of the authorities in rural areas. For the limits of the county as of the union were too wide to permit of the election of any but men of leisure and wealth to serve on the councils and boards of guardians. The members being drawn from a particular social stratum, including landowners, large farmers, clergy, professional men, gentlemen of independent means, and generally such as had hitherto composed the bench of justices, there was no reason to expect any considerable change in the character of county government. Contested elections were at first infrequent and party feeling was absent. In order that the advantages of political education might be enjoyed by the masses in the urban and rural districts, a further development of local autonomy was necessary. The unit of area should be small enough to enable humbler folk with scant leisure to participate.

Decay of the Parish. Unfortunately, the decay of the parish in the scheme of English local government had deprived the people of a stimulus and an opportunity. With the growth of each urban centre a widening circle of rural parishes was being absorbed. Their country lanes were becoming streets, and the procession of busy traffic was bringing an atmosphere of restless hurry and activity

where but a few years before there had been rustic peace. The machinery of the open Vestry, in which the whole body of parishioners—an unqualified democracy—used to meet to confer on common affairs, broke down under the strain. The Commissioners of 1868 found that the parish as a unit of government had become a lifeless and empty form—a mere historical survival which was no longer even picturesque. The only function it still performed was to elect the overseers who were responsible for the levying of the poor rate.

Parish and District Councils Act, 1894. The revival of parish councils, originally suggested by Mr. Goschen in 1871, was again put forward as a constructive proposal in Mr. Gladstone's "Newcastle Programme" of 1891, and was carried through Parliament in 1894 as the Parish and District Councils Bill. Under the Act, parishes with fewer than three hundred inhabitants summoned the whole body of parishioners to the parish meeting to deliberate on common affairs. Where the number exceeded three hundred it was thought that there were as a rule practical difficulties in assembling the whole body, and representation in parish councils became necessary. The old urban and rural sanitary authorities were reconstituted as urban and rural district councils with wider powers, elected on a popular suffrage. The system of class voting for boards of guardians was at the same time abolished.

Rectification of Boundaries. The trouble in local government had arisen from "piecemeal legislation and patchwork reform" which had created new areas, new authorities, and new powers without reference to those already existing. The Act of 1894 went far to rectify boundaries in such a way as to ensure that the parish should fall wholly within the rural district and this within the county area. Henceforth, as the functions of government increased, it would be easy to impose new duties on these parish, district, and

county authorities, and central control would become more efficient. There would follow a greater economy in administration, because the same officials could watch over several departments, and secure co-ordination in their working.

Several problems of local government remained to be solved, particularly with respect to the working of the Poor Law and the Education Act. The reforms of local government from 1871 to 1894 left unaltered the areas administered by the Boards of Guardians and the School Boards respectively, although many urged that they should be made to coincide with the new areas set up for county and district government. In addition it was becoming necessary to define the true relation between national and local expenditure.

Poor Law Administration. The primary functions of the board of guardians were to look after the destitute, sick and infirm, to maintain pauper lunatics, to bring up and educate pauper children outside the workhouses, to compel able-bodied paupers to work, and to remove paupers not chargeable to the parish to their place of settlement. But the subsequent addition of many functions not within the province of the Poor Laws (e.g. the administration of Vaccination Acts and the preparation of valuation lists for local taxation) introduced a needless complexity. In consequence a demand arose for the abolition of the boards of guardians and a transference of their functions to the county and district authority, acting, as for education, through standing committees. This was one of the most important recommendations of the Minority Report of the Poor Law Commission of 1909, but no step has yet been taken towards this final abandonment of the *ad hoc* principle, and the rectification of boundaries to bring poor law areas and authorities into line with areas and authorities for general local purposes has not yet been attempted.

School Boards. Similarly, the other *ad hoc* local authority, the School Board, was for a time left untouched. The controversy regarding religious and sectarian teaching in the schools delayed reform of local educational administration until 1902, when Mr. Balfour's Education Act effected a partial compromise between voluntary and public control. With the disappearance of the school boards and the assumption of their functions by the county councils, acting through standing committees, the simplification and co-ordination of local administration took an important step forward.

Characteristics of Local Government. The characteristics of local government in England reflect those of our parliamentary institutions, and arise similarly out of the character of the people and the trend of their historical development. A certain distrust of the professional element in government and administration, born of a jealous regard for political liberty, has given us a system of elected councils for local as well as for central affairs. The paid professional everywhere carries out the instructions of the unpaid amateur. The "rule of law," which renders every public official and every public body amenable to the ordinary law of the land as administered in the ordinary courts of justice, and allows of no privileged defence against actions brought by private citizens, operates in the sphere of local as well as of central government.

Furthermore, the elasticity of government based on the voluntary principle has allowed of numerous experiments and adaptations which have yielded most valuable results. Central control is rarely so rigid as to crush initiative. Social reforms probably owe more to the pioneer endeavours of public-spirited local bodies, pointing out the way of advance to the whole country and fostering a spirit of emulation, than to Acts of Parliament which have often but registered the facts or endeavoured to make universal

what was before exceptional. The standard contemplated in parliamentary legislation always tends to be a little below that of the best local authorities, and the impulse towards a higher minimum of social well-being usually flows from the circumference inwards towards the centre before it moves outwards again.

The value of the voluntary principle was abundantly demonstrated during the War, when local committees were set up for all kinds of special and temporary purposes. We had National Registration Committees, local Tribunals to consider claims of exemption from compulsory military service, Food Control Committees, War Savings Associations, and many others in connection with which an enormous amount of valuable service was rendered to the community gratuitously and with a maximum of enthusiasm. The obligations of citizenship are the obverse of the rights of citizenship. The exercise of the franchise is itself as much an obligation as a right, and opportunity to render service to the State took on during the War as much the aspect of a privilege as of a duty.

§ PUBLIC FINANCE

The discussions which took place on the principles of public taxation in the 'seventies turned mainly about the proportion which indirect taxation ought to bear to direct. Robert Lowe, who became Chancellor of the Exchequer in Gladstone's Ministry of 1869, applied the formula "equalization of pressure" as a guiding principle. There were those who advocated simplification (even down to the "single tax" of Henry George) and there were those who thought that taxation should rest on as wide a basis as possible. Some regarded taxes in general as a necessary evil to be reduced to a minimum, and were alarmed at every increase in expenditure; others, looking at taxation as the most desirable form of spending a part of the national

income (inasmuch as it was expended for communal and not for personal objects) were not in the least concerned to see the amount rise year by year. Lastly, the unfairness of proportionalism (that is, the levying of taxes in constant proportion to income) was being proclaimed by the champions of a graduated system in which the proportion of income paid over as taxes increased with every rise in the income level.

There began about 1869 a period of extraordinary public activity, and the legislative changes which followed the Second Reform Act soon left their mark on the National Budget. Each new responsibility which the State undertook involved the taxpayer in fresh expenditure of a character which tended to increase rather than to diminish with each succeeding year. But in consequence of the trade boom of the early 'seventies, the burden had not yet even begun to be felt. In fact, Robert Lowe, continuing in the main the cautious policy of Gladstone, enjoyed a succession of handsome surpluses which enabled him for several years in succession to remit taxation.

The Budget of 1871, Income and Expenditure. In the year 1870-71 the State collected approximately £70,000,000 in revenue. Customs and Excise taxes yielded £43,000,000 of this, stamp duties £9,000,000, Land and House Property taxes nearly £3,000,000. The produce of the Income Tax was over £6,000,000. In addition there were sundry profits from the Post Office and Telegraphs (recently purchased by the Government). Miscellaneous receipts made up the total. Compared with the budgets of the years immediately preceding, the budget of 1870-71 is found to possess many significant features on the revenue side. There was a further movement towards simplification by the abolition of numerous small impositions, hardly worth the collection. This was in direct line with the tendency of the Free Trade budgets

of Peel and Gladstone, which had been consummated in the previous year by the abolition of the duty of 1s. a quarter on corn, the sole relic of the old corn laws. The last remaining "tax on cleanliness" (viz., the licence on soapmakers) vanished along with the impressed penny stamp on newspapers—the only surviving "tax on knowledge." The Post Office was making a steady profit of about £1,000,000 annually, and for the first time telegraphs figured on both sides of the estimates.¹

On the basis of the previous year's accounts, it appeared that once again a surplus would be available for the remission of taxation. The Income Tax having been raised to sixpence as a temporary measure two years previously, was this year to be restored to fourpence. But since, according to current practice, remissions were to be shared in equal proportions, it was necessary at the same time to do something towards the "free breakfast-table" which John Bright, then President of the Board of Trade, was advocating. The balance of the surplus was, therefore, applied to the reduction of the sugar duty by one half. The retention of taxes on foodstuffs universally consumed was defended on the broad civic principle that not even the poorest citizen ought to be entirely relieved of financial responsibility for the conduct of government. "I hold that everyone should contribute," said Mr. Lowe, "however small his contribution, to the revenue."

Public Expenditure in 1870. On the expenditure side of the account we find the frugal tradition of Peel and Gladstone reflected in the comparatively low cost of the War Services.²

¹ A bad bargain had been made in 1868 with the telegraph companies which were bought out at an extravagant price. In consequence, notwithstanding the expansion of business, the telegraph accounts piled up a deficit which by 1886 amounted to £3,000,000.

² Cardwell had reorganized the Army in 1870; purchase of commissions was abolished in 1871.

In 1870-71 the Army Estimates touched rock-bottom, £22,000,000, from which point they were destined to rise almost without interruption.¹ The National Debt stood at £767,000,000, having fallen fairly steadily for many years. Nearly £27,000,000 of the revenue went to meet the debt charges. The cost of Civil Administration amounted to nearly £12,000,000. This was the fund out of which socially useful services were provided.

Until the 'eighties, the budgets continued to follow the general lines which Gladstone had laid down. Nevertheless, it was already recognized that changes were necessary. The income tax, which after a lapse of a generation had been reimposed by Sir Robert Peel in 1842 to make good the temporary deficiency in revenue consequent on the abolition of numerous import duties, was still, after thirty years, regarded as provisional only. Gladstone refused to entertain proposals for a revision of the incidence of the tax (levied at a flat rate) and was eager only to achieve the distinction of announcing its final repeal. He had since 1853 made considerable progress towards his goal. By 1874 the tax had fallen to twopence in the pound, and, had the election of that year resulted in Gladstone's victory, he would certainly have redeemed his pledge to place the tax on the reserve list, to be called into play only in emergencies. His failure marks an epoch; from the mid-seventies the tendency was towards higher and still higher levels, as national expenditure mounted rapidly.

Gladstone's Budget statement in 1881 contained an illuminating survey of material progress² in Great Britain as revealed by comparisons of population and taxation. The statement shows that since 1874 public expenditure had increased at a much faster rate than population and

¹ In 1885, the Army Vote was £32,500,000; in 1897, £40,000,000; in 1909, £63,000,000.

² See Appendix VI.

revenue, and neither re-arrangement of sinking funds nor schemes of conversion to reduce interest charges on funded debt availed to make ends meet.

Referring to the Income Tax, Gladstone stated that after all due allowances had been made for the changes in assessment, the yield had varied as follows—

| | |
|-------------------------------------------------|------------|
| In 1842-3, the yield of a 1d. of Income Tax was | £772,000 |
| „ 1852-3 „ „ „ „ „ | £810,000 |
| „ 1877-8 „ „ „ „ „ | £1,990,000 |
| „ 1881-2 „ „ „ „ „ | £1,943,000 |

“ In 1881-2, the 1d. of Income Tax, which does not strictly represent the general condition of the people, but the condition of the wealthier classes of the people, has gone back for the first time since it was imposed.”

It was left to Gladstone's successors to devise a new financial policy to accord with the altered situation.

The Necessity for New Sources of Revenue. Mr. Goschen referred in 1887 to the great financial problems which in his opinion were awaiting solution. In the first place, the burden of local taxation on account of demands in connection with public health and sanitation, roads, education, housing, Poor Law relief, and so forth, rested entirely on the shoulders of owners of real property, while the possessors of other forms of wealth were immune. There was a reasonable demand for some relief from the national exchequer in respect of those forms of expenditure which concerned the nation as a whole. Further, the necessity for an elastic revenue called for a revision of the death duties and stamp duties. Notwithstanding this, Mr. Goschen's budgets were attacked on the ground that they were, in fact, unduly solicitous of the interests of the direct taxpayer. The truth was that he felt it to be his duty to check any further reduction of the number of sources from which taxes flowed into the Exchequer. We have seen that up to this point the tendency had been in the direction

of "simplification." The Free Trade Budgets had abolished the multifarious imposts, vexatious to the taxpayer and to the tax-collector alike, and substituted a very few taxes, easy to collect but heavy in yield.

But the growth in public expenditure made it impossible to continue this policy. Mr. Goschen was reluctant to relinquish his hold on any taxable object which might be required for future purposes. Prudence warned him to preserve intact "the skeleton of his regiments," so that they might be raised to full strength in an emergency. His policy, therefore, represents a reversal of the previous trend. He failed to realize fully the possibilities which lay in the development of direct taxation. His work as Chancellor (1886-92) will be chiefly remembered because of his successful conversion of Government stock in 1888 from a 3 per cent to a $2\frac{3}{4}$ and ultimately to a $2\frac{1}{2}$ per cent basis, and the earmarking of certain forms of revenue for particular objects (e.g. "whisky-money," i.e. the produce of increased duties on spirits, handed over in 1890 to County Councils for the purposes of higher education and police superannuation). It is remarkable that notwithstanding occasional heavy commitments due to border fighting on the outskirts of Empire (as in Afghanistan and South Africa in 1880) and to the threat of European War (as with Russia in 1884), he should have succeeded, without sensibly increasing the load of taxation, in meeting the steadily-growing expenditure of the country.

Sir William Harcourt's Budget of 1894. The new naval programme of the 'nineties, undertaken in an atmosphere of alarm, caused by the growing imperialism of Germany under Kaiser Wilhelm II, was proving very costly. At the same time public expenditure on social objects continued to expand rapidly. The position was first squarely faced by the epoch-making budget of Sir William Harcourt in 1894. Additional revenue was secured first

by a stiff graduation of death duties (from one per cent on an estate of £100 to eight per cent on an estate of £1,000,000). To Gladstone the doctrine of graduation was abhorrent. John Stuart Mill in his *Political Economy* wrote: "To tax higher incomes at a higher percentage than smaller is to lay a tax on industry and economy. . . a mild form of robbery." The new principle was, therefore, regarded as a revolutionary expedient in budget-making. Yet it was only the technical difficulties of collection that prevented Sir William Harcourt from adopting the same principle as the basis of a new income tax.

The reorganized death duties proved to be extraordinarily productive, and accounted for most of the surpluses enjoyed by Sir Michael Hicks-Beach, who was at the Treasury from 1895 to 1902. In 1898-9 they yielded no less than £16,000,000 out of a total revenue of £107,000,000. But the Budget reforms of 1894 were not sufficient to enable the growing expenditure to be met indefinitely, and, five years later, it was only by the weak expedient of dipping into the Sinking Fund that the Government could meet a prospective deficit.

Reaction During the Boer War. It is impossible to guess what course events might have taken had not the war in South Africa entirely altered the financial situation. At first war expenditure concealed the growth in the ordinary expenditure and, although both direct and indirect taxes were slightly increased, the money was found chiefly by borrowing. Not until 1901 was the necessity for broadening the basis of revenue fully recognized. The sugar duty (which had been abolished in 1874) was now restored, an impost on the food of the poorest. To balance this, the income tax was raised twopence in the pound. In the next year, the reversal of tendency was marked by the revival of the registration duty on corn, which had been abolished in 1869. This gave rise to renewed controversy regarding

Protection and Free Trade. The lead given by Sir William Harcourt was not being followed up. Nothing had yet been done to draw from deeper springs of revenue by graduating the death duties more steeply or by applying the principle of graduation to the income tax. Such changes as took place were but a temporary return to abandoned methods of a generation earlier. Immediately after the war the corn duty was again repealed, although it was suggested that it would prove a useful basis for a scheme of Imperial Preference.

Armaments and Social Reform. The return of a Liberal government to Parliament in 1906, with a programme of advanced social reform, changed the whole attitude towards the Budget, which now gradually became itself an instrument of social amelioration. Taxation in the twentieth century came to be more than an appropriation of part of the wealth of the country for purposes held in common. It became a device for correcting to some extent inequalities in the distribution of the product of industry among the various classes. It was designed to effect a transfer of wealth so that the amenities of life might be more equally shared.

The Governments from 1907 onwards carried on the development of taxation from the point at which Sir William Harcourt had left off. The principles of differentiation and of graduation were now applied to the Income Tax as well as to the Death Duties, and new devices for direct taxation were devised. In particular, the Budgets of Mr. Lloyd George in 1909 and 1910 deliberately set out to create a financial instrument of State which would almost automatically supply the means for costly social experiments. Existing scales were made steeper. Super-taxes were introduced. A beginning was made with land taxation, and a portion (20 per cent) of the "unearned increment" in land values, due to the general progress of the community,

was appropriated for purposes of State. Sir William Harcourt's revenue of 1894 was not specifically earmarked. A new principle was now introduced in the hypothecation of certain revenues for stated social reforms. The Lloyd George budgets were, in consequence, so bound up with a certain social policy that they could not be separated, and the rejection of the Budget of 1909 by the House of Lords was largely a result of this.

Notwithstanding the rapid increase of expenditure, accounted for partly by the creation of a two-power standard navy, and partly by the introduction of Old Age Pensions, National Insurance, and other social projects, the revenue for the five years preceding the War proved to be sufficient for all requirements. Not until 1914-15 was a deficit threatened, and a slight turning of the screw to re-adjust the percentage rates to lower levels of incomes and estates was all that was needed. The old principle of "equalization of pressure" was now finally abandoned, and the only part of the growing burden which fell upon the shoulders of the indirect taxpayers was the increased tax on beer, spirits and tobacco.

Taxation and Borrowing During the Great War. In the first year of the War, taxation and revenue for the first time overshot the £200,000,000 mark. Two years later they reached over £300,000,000. In another two years they attained the figure of over £600,000,000. In 1918-19 the revenue was approaching £900,000,000. There were considerable increases in taxes on food and necessities (e.g. tea, sugar, matches, etc.), but these were dwarfed by the gigantic amounts yielded by new direct taxes such as the Excess Profits Tax, which in 1918-19 yielded £300,000,000, or about as much as the Income Tax. Smaller, but by no means inconsiderable sums were obtained by the Entertainments Tax, the Petrol Tax, the McKenna Duties, and the Corporation Profits Tax. Further, the principle

of graduation received a widely extended application. The 8 per cent duty imposed in 1894 on estates valued at two million sterling grew by 1919 to 40 per cent. The nominal rate of Income Tax before the end of the War reached 6s. in the pound and Super-Tax 4s. 6d. (increased still further in 1920 to 6s.). Some proposals, e.g. the "Luxury Tax," which was the subject of consideration in 1918, were rejected as impracticable.

However large the tax revenue, it was utterly inadequate to meet the costs of prosecuting the war. Much larger sums were obtained by borrowing. The National Debt mounted at the rate of millions a day, until it reached in December, 1919, the stupendous figure of £8,079,000,000 the annual charge for which alone far exceeded the total yield of pre-war taxes.¹

There is no doubt that the heavy burden of debt hampers trade and delays the recovery of industry from the post-war depression. A levy on capital has been proposed as a means of liquidating the debt and reducing taxation to more manageable proportions, but so far the verdict of the electors on this issue has been adverse, and the policy awaits further discussion.

The first Labour Budget, introduced by Mr. Philip Snowden in 1924, was framed on traditional lines, and contained no strikingly new features. It brought some relief to the "breakfast table," and at the same time, by the abolition of the Inhabited House Duty, the direct taxpayer enjoyed some slight alleviation of his burden.

§ THE REVOLT AGAINST THE STATE

There has been in modern thought a tendency to discredit the State, to undermine the foundations of its moral authority, and to deny its assumption of absolute

¹ On August 30th, 1924, the debt amounted to £7,711,000,000.

sovereignty. The Education Act of 1902 provoked passive resistance; the Ulster opposition to Home Rule in 1914 was not to be distinguished from armed resistance; the Conscription Act of 1916 gave rise to conscientious objections to military service. The rights of individuals or groups are to-day asserted more freely against the dictation of a transitory parliamentary majority. The growing demand for minority representation is the political expression of this current of thought. It is claimed that each minority is the repository of at least one element of the totality of truth, and as such ought to receive every facility and encouragement for presenting its peculiar point of view.

Groups Within the State. The conception of the State as the Great Leviathan, the one and indivisible sovereign against whose unlimited authority "no prescription, no conscience, no corporate life can be pleaded"¹ is giving place to a newer view of its relation to the individual. The community is seen to be not a mere collection of individuals linked solely by their common subjection to the State. The modern student of social organization regards it rather as a collection of overlapping groups: the family, the school, the Church, the trade union, and so on. To one or more of these the first obedience is paid and these claim the best service of each. Every group exercises an authority over its members which is much more real, because more personal, than the mainly negative authority of law. The State is coming to be regarded as one only among the many possible groupings within the community, with powers as capable of limitation and definition as those of any other. During the last ten or twenty years there has been an increasing emphasis on the claims of voluntary groups to the loyalty and service of the individual. The Church has always contested with the State

¹ Figgis, *Churches in the Modern State*, p. 85.

the claim to a prior allegiance from the individual, and to-day "the High Churchman, concerned for the independent life of the ecclesiastical group, finds the teaching of the Guild Socialists a not unwelcome ally."¹

The group view of community has been reinforced by the recent application of psychology to the study of politics and sociology. The springs of conduct are found to lie elsewhere than in submission to the demands of an abstraction, such as the State. Analysis of the average motives of the man in the street reveals a mildly rebellious attitude towards its claims. An income-tax demand is quite commonly a weaker moral imperative than a hospital appeal. Except in moments of national peril, the sense of loyalty to the State as such is an immeasurably weaker motive of conduct than the love of home, pride of school or university or town, professional ambition or trade union comradeship. The recent extension of university representation in Parliament may possibly be regarded as the first big step towards a future system of representation on a group or occupational basis in substitution for the existing territorial principle.

Syndicalism. The revolt against the State has come of recent years from the more advanced wing of Socialism. Experience has shown that State-Socialism tends to create a vast bureaucratic class, and it is suspected with some reason that democracy is often stage-managed by professional organizers controlling the party machines and the organs which create public opinion. Political liberty in these circumstances is more apparent than real. In consequence of this there has been a reaction in the newer schools of Socialism against much that belonged to the traditional programme of the left wing in politics. In particular, the policy of the nationalization of railways, coal mines, and so forth has been called into question. According

¹ Ernest Barker, *Political Thought from Spencer to To-day*, p. 234.

to this view there is a danger—experience has shown it—that State ownership would but subject industry to a “soulless and omnipotent” administration, whose influence on the lives of the people would be even more autocratic and unfeeling than the prevailing competitive regime tends to be. In consequence, the syndicalists set up in place of national control a principle of economic self-government within each occupation or profession. The State would be perpetuated as the nominal owner of the means of production, but the guilds of workers within each industry would control their use, and determine the conditions of labour, wage rates, hours and prices.

The Syndicalists attack all proposals for social reform which are simply ameliorative (e.g. national insurance, the minimum wage and factory legislation) on the ground that these remedies do not affect the fundamental conflict between Capital and Labour. They are opposed also to the traditional forms of trade unionism, and seek to introduce a revolutionary element into its policy. Syndicalism, with a programme and an attitude of French origin, first appeared prominently in this country during the great strikes of 1911–12, and again in the Shop Steward movement of the War years and since. Starting in the Clyde district, where munition workers set up their own committees to control the factories, the movement spread to other important centres, and resulted in so considerable a decline in output that the Government was compelled in the interests of national safety to deport or imprison the leaders. Since the War the movement has continued to grow under the influence of the Socialist Labour Party affiliated to the Third International.¹

Guild Socialism. The Guild Socialists, while equally insistent on the principle of self-determination in office and factory as an indispensable condition of industrial peace,

¹ See p. 176.

do not reject the aid either of the State or of the trade unions in the reconstruction of society. The State must be maintained to represent the consumers; the trade unions, reorganized as guilds, must be preserved to protect the interests of producers. Since the citizen is both consumer and producer, he will belong to both organizations, and his life will be controlled by two equipotent masters, not opposed to one another, but dividing between them the functions of government and working in friendly co-operation. The Guild Congress, organized as an industrial democracy on an occupational basis, will concern itself with economic conditions; Parliament, as the political democracy, will deal with education (other than technical), justice, international relations, public morality and the encouragement of arts and letters. Should discord arise between the Guild and the State or, in other words, between the interests of the citizen as producer and as consumer, bargaining on equal terms will quickly produce harmony. The old grouping of Capital *versus* Labour will be replaced by that of Producer *versus* Consumer. But since these are not distinct and antagonistic classes, but rather two aspects of the life of every individual, and, since a man cannot be permanently at war with himself, the system is said to contain within itself a guarantee of social peace.

Both Syndicalism and Guild Socialism are indications of a revolt against the conception of the sovereign State. The former would relegate the State to the position of a nominal owner of the means of production. Exercising no control, its ownership would be nothing more than a convenient legal fiction. The latter would set up the Guilds in an equal partnership with the State.

CHAPTER XIII

THE WAR YEARS AND AFTER

THE effect of government control of industry during the War was to speed up all those tendencies which had been at work in the preceding years. The accession of Labour to political power was signalized by the admission of a representative of Labour to the War Cabinet. In 1916 the Ministry of Labour was created to take over the control of war industries, regulating work, wages, profits, and output in the national interest, and establishing a kind of industrial conscription, as a necessary counterpart to compulsory military service. The acceptance by the State of the principle of the national minimum found further expression in the Agricultural Minimum Wage Act of 1917. The demand for nationalization of the means of production, distribution, and exchange, accompanied by democratic control, was in a large measure satisfied by the steps that were taken to regulate and co-ordinate private enterprise in the general interest. The Government took over the complete management of railways, shipping, transport, mining, and munition factories, and to some extent controlled agriculture. It was agreed on all sides that the national emergency justified measures of State interference in free enterprise which a short while before had been advocated only by the most radical of industrial reformers. By a stroke of the pen much of the waste of competitive industry was checked. To meet the demand for labour, the Government persuaded the trade unions to relax their rules and regulations, and to permit of "dilution." Thereby the cause of democratic control of industry received a great stimulus. In these negotiations, the

trade unions represented the organized workers as a matter of course, and their authority to do so was never questioned.

The free working of economic forces was checked wherever they seemed to prejudice the national cause. Production was diverted into particular channels by direct prohibition of some manufactures, by the rationing of raw materials for others, and by the raising of prices to artificial levels for the purpose of stimulating certain branches of industry whose products were essential for the successful prosecution of the war. Normally the agents of production flow into channels determined by price or wage levels, but this free flow was now impeded by a thousand restrictions and forms of pressure exerted by the State. Imports and exports were regulated, shipping was controlled, and labour subjected to certain unwonted forms of compulsion. The free movement of capital, too, was limited by prohibition of export and Treasury control of new issues. The Excess Profits Duties were imposed to secure for the State part of the unearned surpluses which could not be prevented from accruing. Where losses were involved by public control of rates or prices, they were made good by State subsidies (e.g. to the railway companies).

A profound change took place also in the wage system. To some extent labour was remunerated on a cost of living basis, the standard being determined by the average requirements of the individual producer. Wages, instead of being regulated by relations of supply and demand, or on the principle of the marginal usefulness of labour, were fixed with reference to what was required to maintain human efficiency. One consequence of this was that the lower grades of labour gained larger proportionate increases than the skilled grades.¹ Moreover, if we consider the family budget as the unit, the total income, being often considerably swollen by the earnings of wife, sons, and

¹ See table on p. 119

daughters, made possible a standard of consumption far above that which had ever before been within reach of the industrial classes.

The consumption of the product of industry was also to a large extent regulated on principles other than purely economic. In the first days the fear of a food shortage led some panic-stricken people to buy in supplies for hoarding, while many traders put up their prices without cause. There were some ugly incidents in consequence. The issue of official maximum price lists restored confidence, and in a few days excessive purchases ceased. Further steps were soon taken to protect the food supplies. The exportation of all foodstuffs was prohibited. Large consignments of cane sugar were purchased by the Government to repair the shortage due to the cutting off of the supplies from Germany and Austria (equivalent in normal times to two-thirds of the normal consumption of Great Britain).

Food production committees and, later, food prices committees were set up. Commissioners were appointed to purchase, sell, and control the stocks, first of wheat and flour, then of maize, barley, rice, and other foodstuffs. Early in 1917 the first Food Controller (Lord Devonport) was appointed "to regulate the supply and consumption of food." A census of food stocks was followed by a long series of special orders, placing restrictions on use, fixing prices, or requisitioning supplies. The adulteration of wheat flour with other grains was made compulsory, and voluntary rationing in the use of bread, meat, and sugar was introduced.

The Nation on Rations. Notwithstanding these measures the shortage of some foods was acutely felt. Early in 1917 the "margarine queues" began to form. The killing of stock, because of a scarcity of feeding stuffs, led to a dearth of meat. Butchers' shops were opened only on certain days in the week. Lord Rhondda, who had

succeeded Lord Devonport in June, inquired into traders' costs and restricted the profits of middlemen. Local Food Control Committees saw to the enforcement of the food orders, commandeered the stocks of traders and private hoarders, and arranged for an equitable distribution. In the following January compulsory rationing in hotels and restaurants was introduced; this was afterwards extended to the whole population. Meat tickets were introduced, then butter and margarine tickets; later, sugar and jam were rationed in the same way. The situation changed as the submarine menace became more serious. The shortage of fuel was especially alarming in the autumn. The rationing of fuel for industrial purposes was within sight, and millions were threatened with unemployment or "short time." Accordingly, private consumption of coal and light was restricted.

In all these measures consideration was given to variations in human needs. Scales of rations were worked out appropriate to children, to adolescents, and to adults. Special treatment was accorded to soldiers and to those employed in strenuous manual labour, and as a result it is probable that, notwithstanding the shortage, the people in the mass had never before been maintained in such physical vigour.

Luxury spending was partly checked by high taxation, and a committee was set up to report on the practicability of a tax on purchases of articles usually classed as luxuries. The general principle underlying sumptuary laws was that the freedom of the citizen to expend his income in his own way ought to be limited in certain directions if the well-being of the community demanded such restriction.¹

The ease with which all these revolutionary principles of State action were translated into practice could not escape the notice of those whose advocacy of social reforms

¹ See p. 266.

had so far been met with the argument that they were too costly. It was argued that a State which could spend eight millions a day on the destruction of humanity could at least find some millions for the reconstruction of society. Whereas in the previous days a reform often turned upon the question of a few thousands sterling here or there, and there was a delicate balancing of interests, Parliament and the nation had during the war become habituated to think in millions, and cost hardly entered into consideration. To will the end was also to will the means.

The same problems to which for a generation or more our statesmen had given anxious thought, were now taken up with fresh courage and new hope. The stupendous efforts of the nation in face of the national emergency, and the habit which the Government had learned of tackling difficulties boldly and of overriding petty obstacles, had bred a disposition which favoured drastic remedies for social and industrial evils. The public had learned to expect a bold, forward policy.

§ MINISTRY OF RECONSTRUCTION

The Ministry of Reconstruction was constituted in 1917. Its function was advisory, to stimulate and to co-ordinate the work of the various Government departments which would be faced with important after-war problems. It was the duty of the Ministry to initiate investigations and formulate schemes for the reconstruction of industrial and social life on a peace basis, and to suggest measures of reform which the experience of the war had shown to be vital to the well-being of the people. While much of the work of the Ministry of Reconstruction was concerned with the restoration of the *status quo ante bellum*, a much larger part was definitely reformative.

The work of restoration included the demobilization of

the army, the resettlement of civil war workers, the restoration of trade union practices, the disposal of war stores and Government factories, and the decontrolling of those services (such as railways and shipping) that had been temporarily nationalized. All these problems were transitional. But it was clear that even these could not be adequately dealt with unless at the same time permanent lines of policy were laid down in the directions indicated by industrial developments before the War, and by the recent effects of the War itself upon industrial organization. A review of the main enquiries instituted by the reconstruction committees, and of their recommendations, will afford a convenient summary of the general situation in 1918.

Work of the General Branch. As finally reconstituted, the work of the department was subdivided between a general branch and five administrative branches. The general branch applied itself to the task of stimulating the formation of joint industrial committees in the less organized industries. The Report on the work of the Ministry of Reconstruction states—

“ The formation of these committees has led to a great development of organization both on the employers’ and on the workpeople’s side in nearly every industry dealt with by the department. In some industries there was practically no organization when negotiations for the formation of interim committees were started: in other cases the organization was relatively weak or limited to one section of the industry. The development of organized bodies of employers and workpeople, which has been greatly facilitated by the formation of these joint committees, represents an important industrial advance.

“ Among questions that have been discussed by the committees are the development of sources of supply of raw material, additional outlets for the export trade, wage

agreements and war bonuses, the removal of Government restrictions and other matters relating to the progress of the different industries. Valuable advice and assistance has also been received in connection with questions relating to demobilization, including the release of pivotal men, the supply of raw materials, the development of new industries or branches of industry, the position of women in industry, and other important subjects engaging the attention of different Government departments."

Recognizing that measures for settling demobilized soldiers on the land, and the encouragement of forestry were bound up with questions of land acquisition, a strong committee came to the conclusion that the delays and expenses entailed in compulsory acquisition for public purposes presented a vital obstacle to effective reform. Recommendations were made regarding land valuation and the simplification of legal forms for transfer of title to land.

The experience of the War had shown the importance of "key industries," and the vital necessity of a policy aimed at making the Empire self-sufficing in regard to certain raw materials. Inquiries were therefore set on foot to ascertain the extent of our Imperial resources in minerals and metals, and the best method of developing them.

The five administrative branches of the Ministry of Reconstruction were constituted as follows—

- (a) Transitional Economics.
- (b) Commerce and Production.
- (c) Labour and Industrial Organization.
- (d) Rural Development.
- (e) Social Development.

Transitional Economics. The Transitional Economics Branch dealt generally with the economic questions of supply and control created by the shortage of tonnage,

raw materials, and capital arising out of the war. It provided for continued control where necessary and for decontrol where possible. It considered the raw materials problem from the international and imperial standpoints, and arranged a scheme of post-war priority, designed to ensure that those industries should be first re-established on which the wealth of the country primarily depends. This branch gave special attention to the building industry in view of the urgency of the housing problem. Committees formed to report on questions of currency drew attention to the danger of credit expansion, and the importance of a return to the gold standard.

Commerce and Production. The Commerce and Production Branch considered how improved organization might increase and cheapen production. It dealt with questions of internal transport, power and storage, overseas trade, and industrial research. One committee considered "what action was necessary to safeguard the public interest in view of the probable extension of trade organizations and combinations." Other committees submitted proposals relating to essential industries, dumping, and the importation of sweated goods. Special attention was devoted to the engineering trades, with a view to the encouragement of the manufacture of articles either not made in the United Kingdom before the war, or made in small and insufficient quantities.

A still more important group of committees dealt with the development of power for commercial purposes. The recklessly wasteful consumption of coal in this country for factory and domestic uses, its rising cost, and the diminishing output of our mines, had for many years before given rise to a fear that our industrial advantages were slipping away. It was a commonplace that our manufacturing supremacy had already been lost, and that the United States and Germany had deposed us from the

pride of place we enjoyed until the later years of the nineteenth century. Whether the result is to be attributed to our deficiencies in provision for scientific and technical training, to the conservatism of manufacturers, to the policy of the trade unions, or to the hesitation of possessors of capital in face of industrial unrest, or to a combination of these causes, it is certain that the use of labour-saving machinery in this country had fallen far behind that in the rival industrial countries. The quantity of motive power used per head in England was only about half that used in the United States of America, and the value of our industrial output in proportion to the quantity of labour employed was correspondingly less. Wages were low in consequence, and yet we were gradually losing our hold of foreign markets because we could not produce cheaply. Our industries seemed caught up in a vicious circle of low production, low wages, labour unrest, inadequate capital. During the War there had been a temporary change of gear. Capital was provided in abundance, production was speeded up, wages were high, and labour sacrificed many of its privileges in response to the nation's need. But these conditions were altogether exceptional; war industry was not conducted on an economic basis, and with the reversion to the normal pressure of economic forces in peace, it was feared that decline would set in once again, and perhaps with accelerated speed, because of the enormous wastage of natural resources, the destruction of shipping, the loss of man power, and the unproductive expenditure of thousands of millions of capital.

Coal Conservation. With these facts and fears in mind, the Coal Conservation Committee suggested that coal might be saved at the rate of 55,000,000 tons a year on the existing output of manufactured products by utilizing all the product of the mines for the generation of electricity. To replace the 600 authorities at present supplying

electricity from small and inadequate plant, they proposed that sixteen large generating stations should be set up at convenient centres (e.g. on important waterways and near coalfields) for main distribution. The enormously costly process of distributing coal to every town and house in the land would be abolished. Electricity would be cheapened to a fraction of its present cost, and provided in bulk for use in railway transport and in industry. The domestic use of electricity would be encouraged, and the abolition of the smoke nuisance would go far to make urban conditions more tolerable. Uses would be found for the by-products of coal consumption, now almost completely wasted, and important chemical industries would develop alongside the generating stations. Possibly also the mountain-high accumulations of slag, which now surround the sites of our iron works, might be found to yield valuable products.

The distribution of cheap electricity would contribute also to the de-urbanization of our population by enabling skilled workers in certain trades to set up domestic workshops in rural surroundings, as is commonly done in Switzerland. With a smaller expenditure of our vital resources in coal we could increase our productive power, develop our industries, improve the health of the people, and face the future with more confidence. The desire to discover alternative sources of power as a substitute for our wasting assets of coal and to compensate for our poverty in oil, led to an investigation of the possibility of utilizing water-power.

A further important section of the work of the Commerce and Production Branch related to questions of internal transport. Canals, light railways (for rural development), tramways and roads were considered in the light of probable developments in industrial and social life; the question of co-ordination of transport services

under a central authority was left to a House of Commons Committee.

Labour and Industrial Organization. The third branch of the Ministry of Reconstruction concerned itself with Labour and Industrial Organization. It distinguished between transitional measures and permanent policy. The latter included the recommendations on the Relations between Employers and Employed, called the Whitley Reports ; and proposals for a permanent Arbitration and Conciliation Council. One special committee investigated the problem of domestic service, which, on account of the absorption of large numbers of women in the munition factories, had become urgent ; another considered industrial and social conditions in relation to adult education. Further questions to which attention was paid were the "extension and development of labour legislation, the prevention of unemployment, the extension of unemployment insurance, international labour legislation, industrial courts, casual labour, pensions for widows, domestic service, State control in industry, rural industries, the future of women in industry, and the health of industrial workers."¹

Rural Development. The fourth, or Rural Development Branch, applied itself to problems of land development and agriculture. The necessity for readjustment of the population between urban and rural areas in the interests of public health, and for the development of natural resources, was clearly seen. The Corn Production Act of 1917 had been based on earlier reports, and provided for guaranteed minimum prices for corn, the fixing of minimum wages through the establishment of Wages Boards, and certain measures for State control of agricultural operations in the interests of increased production. Proposals were

¹ *Report on the Work of the Ministry of Reconstruction*, cd. 9231, p. 23.

made to organize county council agricultural committees to assist the Board of Agriculture in carrying out a national agricultural policy. Further reports dealt with agricultural credit, small holdings, village reconstruction, tithe redemption, local taxation, land reclamation and drainage, plant pathology, the supply of artificial manures, weights and measures, and agricultural transport. As a result of the Report of the Forestry Committee, Parliament voted £100,000 for the first steps (including the training of forestry officers, the collection of seeds and nursery stocks, and the making of preliminary surveys). Further sums were voted for the acquisition of land required for the settlement of ex-service men who were to be offered every encouragement to take up country life.

Social Development. The fifth branch considered social conditions, and the most important of its recommendations dealt with the establishment of the Ministry of Health and the provision of houses. With regard to the former, the Machinery of Government Committee (under Lord Haldane) had already drawn attention to the need for redistributing some of the functions of the Government departments on a more logical and consistent plan, and the Local Government Board had outlined a scheme for the complete transfer of the functions of the Poor Law Authorities to appropriate central and local authorities. An opportunity was thus presented for bringing together under the Ministry all the health services till now distributed among the Local Government Board, the Health Insurance Commissions, the Board of Education, the Privy Council, the Home Office, and the Ministry of Pensions.¹

It is at this moment much too early to attempt to estimate the value of the work accomplished by the Ministry of Reconstruction. But it may be said that, however little was the actual benefit to the community as compared with

¹ See p. 198.

the potential, there was a distinct gain in the fact that the great national problems which had hitherto been considered piecemeal were now viewed in relation to one another. That the proposals which were so carefully considered, and published with all due sense of responsibility by the men and women best qualified to advise, have in so many instances not been followed up by action is no matter of discouragement. For if we have learned one thing in this study of a half century of social and industrial change, it is that the success of a forward movement in any part of the line of advance is conditional upon the amount of support which is forthcoming from the other parts. During the last few years the preoccupation of the nation with the problem of providing itself with the material necessities of existence has caused many promising social experiments to be abandoned, or at least postponed until a more propitious season. In these circumstances, the high idealism and courage of the War years have given place for the moment to a lowered tone in the spirit of the nation, manifesting itself in many ugly outgrowths and neurotic tendencies.

The Relativity of Change. Against any undue depression of spirit the student of history will be doubly fortified. Firstly, he can call to his aid the philosophy which he has learned from the contemplation of the constant ebb and flow in human affairs. For it is a law of life that action and reaction shall succeed one another. The alternation of states of consciousness in an organism is a proof that it still lives. To have lost the power of reacting to stimulus is to be moribund. All human activity is intermittent ; labour is succeeded by weariness and sleep, and the key of human endeavour constantly alternates between major and minor.

The optimism of the historian is further reinforced by reflection on the clear facts of evolution in human affairs.

He sees how imperative is the compelling force of certain ideas,

" John Brown's body lies a-moulding-in the grain,
But his soul goes marching on."

The student has watched tendencies working themselves out to their inevitable conclusions. He has learned to search for the clue to the problems of to-morrow in the experience of yesterday. He knows that there is no such thing as finality, and that the goal towards which men strive, whether it be in the political, social, or industrial field, will prove to be but the starting-point for a new adventure.

The question " Are we decadent ? " therefore, admits of no categorical answer. While some forms of life and activity are ripening into maturity, others are still in embryo, or have already fallen into a sere and yellow decay. But at the same time the human garden is surely yielding to a deeper and a richer culture ; there are fewer noxious weeds ; there are fewer starved and mis-shapen growths ; the fruits are becoming more varied and more abundant ; and even in the months of falling sap the husbandman knows the signs which betoken a plentiful harvest.

APPENDIX I

IMPORTANT ROYAL COMMISSIONS AND SPECIAL REPORTS

Royal Commissions

| | |
|-------------------------------------------------------------------|---------|
| On Railways | 1867 |
| „ Trade Union Organization and Rules | 1867-9 |
| „ Schools | 1868-70 |
| „ Friendly Societies | 1871-4 |
| „ Scientific Instruction and the Advancement of Science | 1872-5 |
| „ Working of Factories and Workshop Acts | 1876 |
| „ Agriculture | 1881-2 |
| „ Housing of the Poor | 1884-90 |
| „ Elementary Education Acts | 1886-8 |
| „ Depression of Trade and Industry | 1886 |
| „ Civil Establishments | 1887-8 |
| „ Vaccination | 1889-97 |
| „ Labour | 1892-4 |
| „ Agricultural Depression | 1894-8 |
| „ Tuberculosis | 1895 |
| „ Secondary Education | 1895 |
| „ Aged Poor | 1895 |
| „ London Traffic | 1905 |
| „ Trade Disputes and Trade Combinations | 1906 |
| „ Canals and Waterways | 1906-11 |
| „ Mines | 1907-11 |
| „ Care and Control of the Feeble Minded | 1908-9 |
| „ Poor Laws and Relief of Distress | 1909-10 |
| „ Civil Service | 1912-16 |
| „ Coal Conservation | 1918 |
| „ Agriculture | 1919 |

Special Reports

| | |
|-------------------------------------------------|---------|
| On Civil Service (Playfair's) | 1875-6 |
| „ Canals | 1883 |
| „ Profit Sharing | 1891 |
| „ Wages and Production | 1891 |
| „ Unemployment | 1893 |
| „ Old Age Pensions | 1898 |
| „ Physical Deterioration | 1904-5 |
| „ Vagrancy | 1906 |
| „ Eight Hours' Day | 1907 |
| „ Cost of Living | 1908 |
| „ Public Health and Social Conditions | 1909 |
| „ Earnings and Hours | 1909-11 |
| „ Educational Endowments | 1911 |
| „ Fuel Research | 1917 |
| „ Adult Education | 1919 |

APPENDIX II

OCCUPATIONS OF THE PEOPLE

(From the "Seventeenth Abstract of Labour Statistics, 1915")

| | 1881. | 1891. | 1901. | 1911. | Whether growing faster (+) or slower (-) than population. |
|---------------------------------------------------------------------------------------|------------|------------|------------|------------|--------------------------------------------------------------------|
| 1. General or Local Government | 145,560 | 192,396 | 253,865 | 356,432 | + |
| 2. Defence of the Country | 146,177 | 165,354 | 203,993 | 251,189 | + |
| 3. Professional occupations and subordinate services | 515,469 | 617,472 | 733,582 | 864,130 | + |
| 4. Domestic offices or services | 2,022,102 | 2,238,746 | 2,199,517 | 2,227,631 | - |
| 5. Commercial occupations | 386,101 | 504,143 | 712,465 | 944,093 | + |
| 6. Conveyance of men, goods, and messages | 951,279 | 1,194,691 | 1,497,629 | 1,698,347 | + |
| 7. Agriculture | 2,574,031 | 2,420,926 | 2,262,454 | 2,262,172 | - |
| 8. Fishing | 71,956 | 65,642 | 61,125 | 62,176 | - |
| 9. In and about and working and dealing in the products of mines & quarries | 618,629 | 760,730 | 943,880 | 1,214,165 | + |
| 10. Metals, machines, implements and conveyances | 978,102 | 1,145,386 | 1,475,410 | 1,765,742 | + |
| 11. Precious metals, jewels | 84,745 | 104,463 | 168,344 | 253,992 | + |
| 12. Building and works of construction | 926,135 | 955,573 | 1,335,820 | 1,212,917 | - |
| 13. Wood, furniture and decorations | 218,645 | 242,887 | 307,632 | 333,314 | + |
| 14. Brick, cement, pottery and glass | 138,775 | 152,123 | 189,856 | 188,150 | - |
| 15. Chemicals, oil, etc. | 82,060 | 107,119 | 149,675 | 204,452 | + |
| 16. Skins, leather, hair, feathers | 94,088 | 105,068 | 117,866 | 125,145 | - |
| 17. Paper, prints, books, stationery | 195,983 | 266,870 | 334,261 | 409,052 | + |
| 18. Textiles | 1,430,785 | 1,519,861 | 1,462,001 | 1,614,026 | - |
| 19. Dress (workers and dealers) | 1,228,397 | 1,354,836 | 1,395,795 | 1,409,872 | - |
| 20. Food, tobacco, drink & lodging | 877,827 | 1,113,441 | 1,301,076 | 1,615,782 | + |
| 21. Gas, water and sanitation (not electricity) | 29,679 | 47,285 | 78,686 | 99,508 | + |
| 22. Other general undefined workers and dealers | 1,181,359 | 1,269,887 | 1,075,414 | 1,047,039 | - |
| Total occupied | 14,897,884 | 16,554,899 | 18,261,146 | 20,159,356 | |
| Total population | 25,974,266 | 29,002,325 | 32,527,843 | 36,070,492 | |
| Percentage increase since previous census | 14·36 | 11·65 | 12·17 | 10·89 | |

Figures for 1921: 37,885,242 and 4·93

APPENDIX III

GROWTH OF TRADE UNIONISM, 1892-1922

| Year. | No. of Trade Unions at end of year. | Membership, 000's omitted. | | | Percentage Inc. + or Dec. - on previous year. |
|-------|-------------------------------------|----------------------------|---------|--------|-----------------------------------------------|
| | | Male. | Female. | Total. | |
| 1892 | 1,192 | — | — | 1,503 | |
| 1893 | 1,240 | — | — | 1,480 | - 1.5 |
| 1894 | 1,279 | — | — | 1,437 | - 2.9 |
| 1895 | 1,299 | — | — | 1,408 | - 2.2 |
| 1896 | 1,314 | — | — | 1,495 | + 6.2 |
| 1897 | 1,306 | — | — | 1,614 | + 8.0 |
| 1898 | 1,277 | — | — | 1,619 | + 0.3 |
| 1899 | 1,270 | — | — | 1,804 | + 11.3 |
| 1900 | 1,252 | — | — | 1,901 | + 5.9 |
| 1901 | 1,236 | — | — | 1,923 | + 0.3 |
| 1902 | 1,267 | — | — | 1,966 | - 0.6 |
| 1903 | 1,255 | — | — | 1,942 | - 1.2 |
| 1904 | 1,229 | — | — | 1,911 | - 1.6 |
| 1905 | 1,228 | — | — | 1,934 | + 1.2 |
| 1906 | 1,250 | — | — | 2,128 | + 10.0 |
| 1907 | 1,243 | — | — | 2,425 | + 13.9 |
| 1908 | 1,218 | — | — | 2,388 | - 1.5 |
| 1909 | 1,199 | — | — | 2,369 | - 0.8 |
| 1910 | 1,195 | — | — | 2,446 | + 3.3 |
| 1911 | 1,204 | — | — | 3,019 | + 23.4 |
| 1912 | 1,149 | — | — | 3,288 | + 8.9 |
| 1913 | 1,266 | 3,700 | 433 | 4,133 | + 21.0 |
| 1914 | 1,256 | 3,707 | 436 | 4,143 | + 0.2 |
| 1915 | 1,226 | 3,865 | 491 | 4,356 | + 5.1 |
| 1916 | 1,221 | 4,014 | 626 | 4,640 | + 6.5 |
| 1917 | 1,234 | 4,618 | 878 | 5,496 | + 18.4 |
| 1918 | 1,254 | 4,531 | 1,209 | 6,530 | + 18.8 |
| 1919 | 1,346 | 6,593 | 1,325 | 7,920 | + 21.3 |
| 1920 | 1,358 | 6,988 | 1,340 | 8,328 | + 5.2 |
| 1921 | 1,241 | 5,610 | 1,003 | 6,613 | - 20.6 |
| 1922 | 1,190 | 4,712 | 868 | 5,580 | - 15.6 |

APPENDIX IV

(Figures in black type indicate maxima and minima in relation to years of good trade)

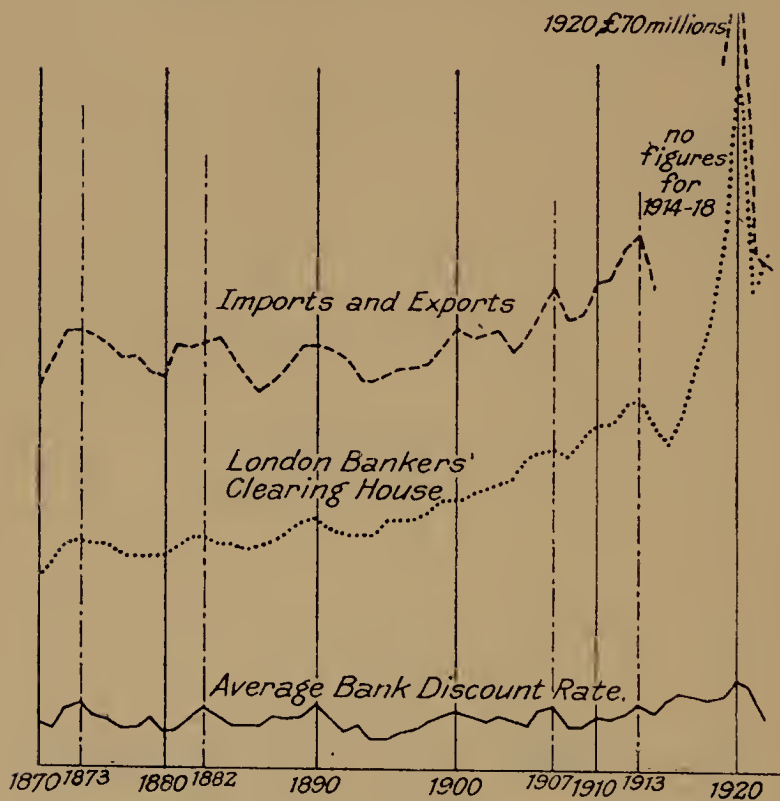
| Year. | Average Bank Discount Rate. | London Bankers' Clearing House (£1,000 millions). | Imports and Exports, Value per Head of Population (£). | Percentage of Unemployed Trade Unionists. | Index of Prices (1900 = 100). | Index of Wages (1900 = 100) (Staple Industries). | Pauperism. Total of persons relieved (0000 omitted). | Marriage Rate per 1,000 of Population. | Tobacco consumption (lbs.) per head of population. |
|-------|-----------------------------|---------------------------------------------------|--------------------------------------------------------|-------------------------------------------|-------------------------------|--------------------------------------------------|------------------------------------------------------|----------------------------------------|----------------------------------------------------|
| 1870 | 3 | 3.9 | 17.5 | 1.6 | 135.6 | | 108 | | 1.34 |
| 1871 | 2 | 4.8 | 19.5 | | 145.2 | | 97 | | 1.36 |
| 1872 | 4 | 5.9 | 21.0 | 0.9 | 151.9 | | 88 | 17.1 | 1.37 |
| 1873 | 4 | 6.1 | 21.2 | 1.2 | 146.9 | | 82 | | 1.41 |
| 1874 | 3 | 5.9 | 20.6 | 1.7 | 140.4 | | 81 | | 1.44 |
| 1875 | 3 | 5.7 | 20.0 | 2.4 | 137.1 | | 74 | | 1.46 |
| 1876 | 2 | 5.0 | 19.1 | 3.7 | 140.4 | | 72 | | 1.47 |
| 1877 | 2 | 5.0 | 19.3 | 4.7 | 131.1 | | 74 | 15.3 | 1.49 |
| 1878 | 3 | 5.0 | 18.2 | 6.8 | 125.0 | | 80 | | 1.45 |
| 1879 | 2 | 4.9 | 17.9 | 11.4 | 129.0 | 81.2 | 83 | | 1.41 |
| 1880 | 2 | 5.8 | 20.2 | 5.5 | 126.6 | | 80 | | 1.43 |
| 1881 | 3 | 6.4 | 19.8 | 3.5 | 127.7 | 84.4 | 79.7 | | 1.41 |
| 1882 | 4 | 6.2 | 20.4 | 2.3 | 128.9 | 84.3 | 79.9 | | 1.42 |
| 1883 | 3 | 5.9 | 20.6 | 2.6 | 114.1 | 83.4 | 77 | 15.2 | 1.42 |
| 1884 | 3 | 5.8 | 19.1 | 8.1 | 107.0 | 81.9 | 78 | | 1.44 |
| 1885 | 3 | 5.5 | 17.7 | 9.3 | 101.0 | 81.5 | 80 | 14.2 | 1.46 |
| 1886 | 3 | 5.9 | 16.8 | 10.2 | 98.8 | 83.6 | 81 | 14.4 | 1.44 |
| 1887 | 3 | 6.0 | 17.6 | 7.6 | 101.8 | 86.9 | 82 | 14.4 | 1.45 |
| 1888 | 3 | 6.9 | 18.6 | 4.9 | 103.4 | 90.1 | 81 | 15.0 | 1.48 |
| 1889 | 3 | 7.6 | 20.0 | 2.1 | 103.3 | 91.1 | 78 | 15.5 | 1.51 |
| 1890 | 4 | 7.8 | 20.0 | 2.1 | 106.9 | | 77 | | 1.55 |
| 1891 | 3 | 6.8 | 19.7 | 3.5 | | | | 15.6 | 1.61 |

| | | | | | | | | | |
|------|----|------|------|------|-------|-------|-----|------|------|
| 1892 | 21 | 6.5 | 18.8 | 6.3 | 101.1 | 89.3 | 75 | 15.4 | 1.64 |
| 1893 | 3 | 6.5 | 17.7 | 7.5 | 99.4 | 89.5 | 77 | 14.7 | 1.63 |
| 1894 | 2 | 6.3 | 17.6 | 6.9 | 93.5 | 88.7 | 81 | 15.0 | 1.66 |
| 1895 | 2 | 7.6 | 18.0 | 5.8 | 90.7 | 88.2 | 81 | 15.0 | 1.66 |
| 1896 | 2 | 7.6 | 18.7 | 3.3 | 88.2 | 89.2 | 82 | 15.7 | 1.72 |
| 1897 | 2 | 7.5 | 18.7 | 3.3 | 90.1 | 90.1 | 82 | 16.0 | 1.75 |
| 1898 | 3 | 8.1 | 19.0 | 2.8 | 93.2 | 92.6 | 82 | 16.2 | 1.82 |
| 1899 | 3 | 9.2 | 20.0 | 2.0 | 92.2 | 95.1 | 80 | 16.5 | 1.88 |
| 1900 | 4 | 9.0 | 21.5 | 2.5 | 100.0 | 100.0 | 79 | 16.0 | 1.95 |
| 1901 | 3 | 9.6 | 20.9 | 3.3 | 96.7 | 98.6 | 78 | 15.9 | 1.89 |
| 1902 | 3 | 10.0 | 20.9 | 4.0 | 96.4 | 97.0 | 81 | 15.9 | 1.92 |
| 1903 | 3 | 10.1 | 21.3 | 4.7 | 96.9 | 96.2 | 83 | 15.7 | 1.93 |
| 1904 | 3 | 10.6 | 19.7 | 6.0 | 92.2 | 95.6 | 85 | 15.3 | 1.95 |
| 1905 | 3 | 12.3 | 20.8 | 5.0 | 97.6 | 95.9 | 91 | 15.3 | 1.98 |
| 1906 | 4 | 12.6 | 22.6 | 3.6 | 100.8 | 97.6 | 90 | 15.7 | 1.98 |
| 1907 | 4 | 12.7 | 24.5 | 3.7 | 106.0 | 101.8 | 90 | 15.9 | 2.05 |
| 1908 | 3 | 12.1 | 22.0 | 7.8 | 103.0 | 101.0 | 91 | 15.1 | 2.04 |
| 1909 | 3 | 13.5 | 22.5 | 7.7 | 104.1 | 99.4 | 94 | 14.7 | 1.96 |
| 1910 | 3 | 14.7 | 24.7 | 4.7 | 108.8 | 99.7 | 92 | 15.0 | 2.0 |
| 1911 | 3 | 14.6 | 25.0 | 3.0 | 109.4 | 99.8 | 88 | 15.2 | 2.05 |
| 1912 | 3 | 16.0 | 27.0 | 3.2 | 114.8 | 102.5 | 79 | 15.6 | 2.05 |
| 1913 | 4 | 16.4 | 28.3 | 2.1 | 116.5 | 105.3 | 78 | 15.7 | 2.10 |
| 1914 | 4 | 14.6 | 24.4 | 3.3 | 117.2 | 106 | 75 | 15.9 | 2.19 |
| 1915 | 5 | 13.4 | — | 1.1 | 143.9 | 120 | 75 | 19.4 | — |
| 1916 | 5 | 15.2 | — | 0.4 | 186.5 | 140 | 68 | 14.9 | — |
| 1917 | 5 | 19.1 | — | 0.7 | 242.9 | 185 | 63 | 13.8 | — |
| 1918 | 5 | 21.2 | — | 0.8 | 267.4 | 220 | 58 | 15.3 | — |
| 1919 | 5 | 28.4 | 52.6 | 2.4 | 296.3 | 265 | 55 | 19.7 | 3.15 |
| 1920 | 6 | 39.0 | 70.7 | 2.4 | 390 | 220 | 57 | 20.2 | 2.97 |
| 1921 | 6 | 34.9 | 37.8 | 15.3 | 250 | 280 | 65 | 16.9 | 2.96 |
| 1922 | 3 | 37.1 | 36.2 | 15.4 | 210 | 180 | 148 | 15.7 | 2.81 |
| 1923 | | | | 11.5 | 220 | | 153 | | |

(*Italic figures approximate only*)

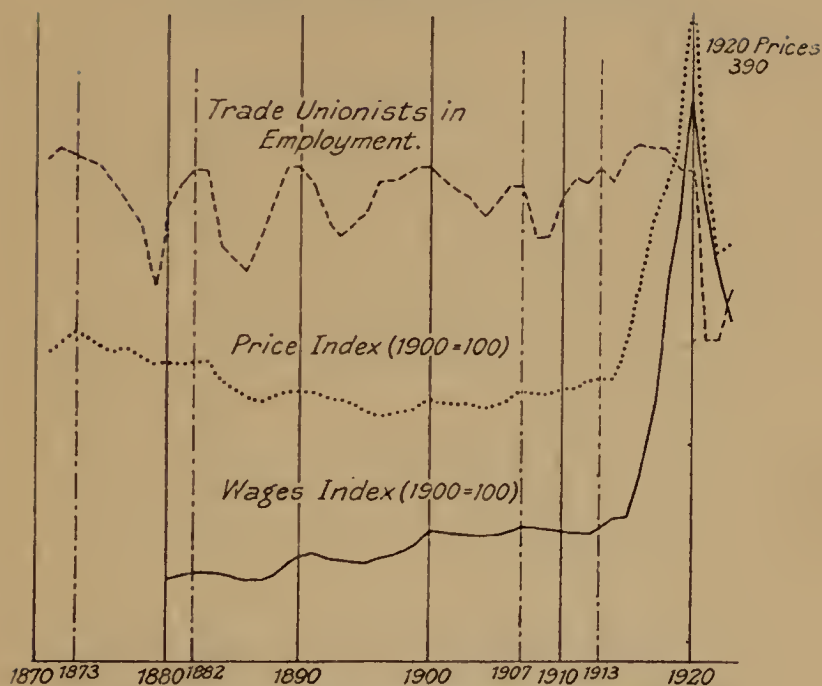
APPENDIX V

COMMERCIAL CONDITIONS (1870-1923)



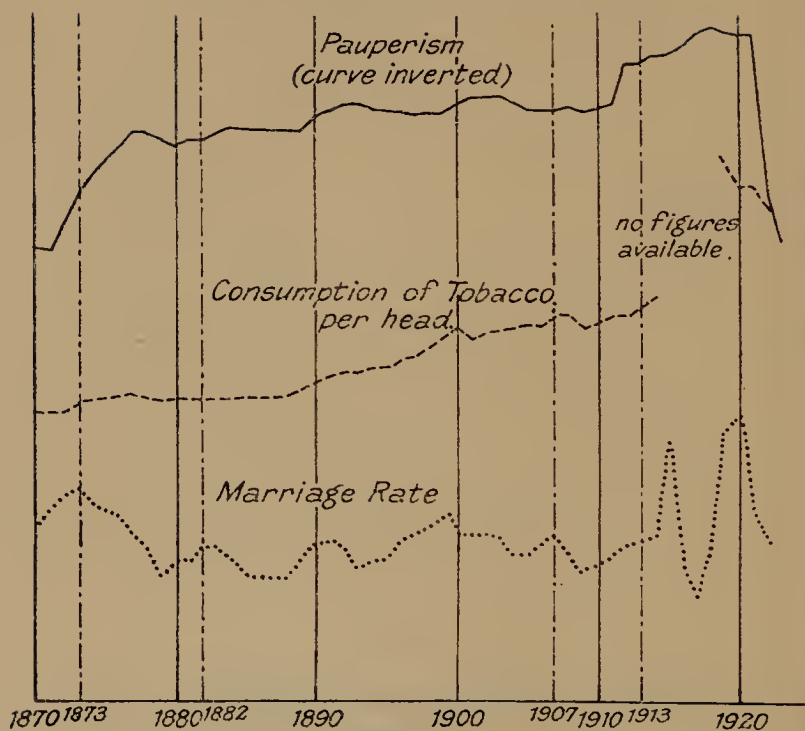
The tables on which the above graphs are based are given in Appendix IV.

INDUSTRIAL CONDITIONS (1871-1923)



The tables on which the above graphs are based are given in Appendix IV.

SOCIAL CONDITIONS (1870-1923)



The tables on which the above graphs are based are given in Appendix IV.

APPENDIX VI

SURVEY OF MATERIAL PROGRESS IN GREAT BRITAIN¹

(From *Mr. Gladstone's Budget Statement for 1881*)

| First Period 1842-58 | Second Period 1859-73 | Third Period 1874-77 | Fourth Period 1878-80 |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual Increase in Population $\frac{1}{2}$ of 1 % | 1 % | 1 % | 1 % |
| Annual Increase in Revenue 1 $\frac{1}{4}$ % | 3 % | 1 $\frac{1}{2}$ % | Annual Diminution in Revenue $\frac{1}{2}$ of 1 % |
| Annual Increase in Expenditure 2 $\frac{1}{2}$ % | 1 $\frac{1}{2}$ % | 3 $\frac{1}{4}$ % | 2 $\frac{1}{8}$ % |
| This period includes the Irish famine, Crimean War, discovery of gold in Australia and California, panic of 1857, etc. | This period includes Civil War in U.S.A., War between France and Germany, panic of 1866, recovery of prosperity, 1870-73, etc. | This period includes in Mr. Gladstone's words: "the setting sun of our prosperity, the last year of rather fading brilliancy as regards economic results." | This period includes a period of depression of trade almost unexampled in recent years, and the worst harvest during the last half-century in this country. |

¹ Reproduced from *The Economist*, 9th April, 1881.

APPENDIX VII

PUBLIC FINANCE

NATIONAL INCOME AND EXPENDITURE (CERTAIN IMPORTANT ITEMS ONLY)

| | 1871. (Mr. Robert Lowe.) | 1881. (Mr. W. E. Gladstone.) | 1894. (Sir Wm. Harcourt.) | 1909. (Mr. Lloyd George.) | 1924. (Mr. Philip Snowden.) |
|---------------------------------------------------------------|--------------------------------|------------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| EXPENDITURE— | | | | | |
| Interest on Debt and other Consolidated Charges | £ 28,730,000 | £ 31,270,000 | £ a25,653,000 | £ b29,669,000 | £ c352,440,000 |
| Army | 16,452,000 | 17,719,000 | 18,006,000 | d26,840,000 | 45,000,000 |
| Navy | 9,756,000 | 10,846,000 | e17,296,000 | f32,188,000 | 55,800,000 |
| Air Force | — | — | — | — | 14,511,000 |
| Civil Service . . | 10,726,000 | g16,087,000 | 18,688,000 | h32,338,000 | j227,573,000 |
| Post Office, etc. . | 5,496,000 | 6,834,000 | 9,815,000 | 18,113,000 | 51,081,000 |

a Fall due to Mr. Goschen's Conversion Scheme of 3 Per Cents in 1888.

b Rise due to borrowing for South African War, 1900-2.

c Rise caused by borrowing for European War, 1914-18.

d Rapid increase dates from period of South African War.

e Naval competition with Germany.

f Increase due to State activity in social reform (education, health, etc.).

g Vast extension of State enterprise during period of war. (New Ministries, etc.).

| | 1871. | 1881. | 1894. | 1909. | 1924. |
|----------------------------------|------------|------------|----------------------------------|--------------------------|---------------------------|
| REVENUE— | | | | | |
| Customs . . . | 20,100,000 | 19,000,000 | 20,000,000 | 29,200,000 | 101,800,000 |
| Excise . . . | 22,420,000 | 27,620,000 | 26,240,000 | 33,650,000 | 135,900,000 |
| Property and Income Taxes . . . | 8,050,000 | 9,540,000 | 15,530,000 <i>a</i> 8,754,000 | 33,930,000 18,310,000 | 265,000,000 56,000,000 |
| Estate Duties: | | | | | |
| Super-tax . . . | | | | | 61,000,000 |
| Corporation Profits Tax . . . | | | | | 20,000,000 68,000,000 |
| Excess Profits Duty . . . | | | | | |
| Post Office and Telegraphs . . . | 5,420,000 | 8,400,000 | 13,190,000 | 20,790,000 | 53,500,000 |
| Stamp Duties . . . | 9,600,000 | 12,290,000 | 14,080,000 | 7,485,000 | 21,000,000 |

a Sir William Harcourt's new system of Death Duties.

b Gradually disappearing. In 1920, E.P.D. produced £289,000,000.

APPENDIX VIII

FINAL BALANCE SHEET, 1871-72
(From Mr. Robert Lowe's *Budget Statement*, 1871)

| ESTIMATED REVENUE— | | ESTIMATED EXPENDITURE— | |
|----------------------------|--------------|----------------------------------------|--------------|
| | £ | | £ |
| Customs | : 20,100,000 | Interest of Debt | : 26,910,000 |
| Excise | : 22,420,000 | | |
| Stamps | : 9,600,000 | Other Consolidated Fund charges | 1,820,000 |
| Taxes | : 2,330,000 | Army (including abolition of purchase) | 16,452,000 |
| Income Tax | : 8,050,000 | Navy | 9,756,000 |
| | | Civil Service | 10,726,000 |
| Post Office and Telegraphs | : 5,420,000 | Revenue Departments | 5,076,000 |
| Crown Lands | : 375,000 | Packet Service | 1,148,000 |
| Miscellaneous | : 4,100,000 | Telegraphs | 420,000 |
| | | SURPLUS | 87,000 |
| TOTAL REVENUE | £72,395,000 | TOTAL EXPENDITURE | £72,395,000 |

FINAL BALANCE SHEET, 1924-25

(From Mr. Philip Snowden's Budget Statement)

| ESTIMATED REVENUE— | | ESTIMATED EXPENDITURE— | |
|------------------------------------|--------------|----------------------------------|--------------|
| | £ | | £ |
| Customs | 101,800,000 | National Debt Services | 350,000,000 |
| Excise | 135,900,000 | Payment for Northern Ireland Re- | |
| Motor Vehicle Duties | 15,600,000 | siduary Share, etc. | 3,500,000 |
| Estate, etc., Duties | 56,000,000 | Road Fund | 15,000,000 |
| Stamps | 21,000,000 | Payment to Local Taxation Ac- | |
| Land Tax, House Duty, and | | counts | 13,150,000 |
| Mineral Rights Duty | 1,250,000 | Land Settlement | 750,000 |
| Income Tax | 265,000,000 | Other Consolidated Fund Services | 2,440,000 |
| Super-Tax | 61,000,000 | Army | 45,000,000 |
| Excess Profits Duty, etc. | 8,000,000 | Navy | 55,800,000 |
| Corporation Profits Tax | 20,000,000 | Air Force | 14,511,000 |
| Post Office | 53,500,000 | Civil Services | 227,573,000 |
| Crown Lands | 900,000 | Customs and Excise, and Inland | |
| Interest on Sundry Loans | 12,250,000 | Revenue Depts. | 11,221,000 |
| Miscellaneous | 41,850,000 | Post Office Services | 51,081,000 |
| | | SURPLUS | 4,024,000 |
| TOTAL REVENUE | £794,050,000 | TOTAL EXPENDITURE | £794,050,000 |

APPENDIX IX

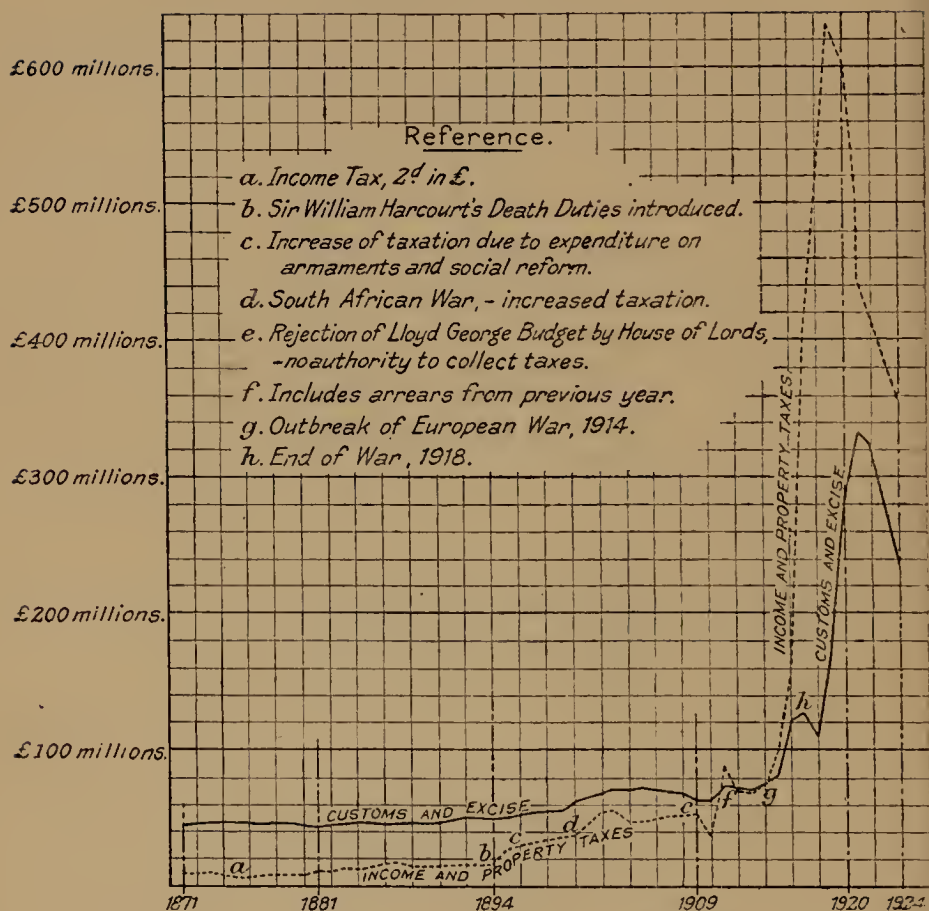


CHART TO ILLUSTRATE INCIDENCE OF DIRECT AND
INDIRECT TAXATION

APPENDIX X

PROFIT-SHARING SCHEMES

| Period in which Started. | Total Schemes Started. | Schemes abandoned by end of 1922. | Schemes suspended at end of 1922. | Schemes still in operation at end of 1922. |
|--------------------------|------------------------|-----------------------------------|-----------------------------------|--------------------------------------------|
| Up to 1880 | 35 | 29 | — | 6 |
| 1881-90 | 79 | 67 | 1 | 11 |
| 1891-1900 | 76 | 63 | — | 13 |
| 1901-1905 | 26 | 19 | — | 7 |
| 1906-10 | 54 | 21 | 1 | 32 |
| 1911-15 | 63 | 20 | 2 | 41 |
| 1916-18 | 22 | 5 | — | 17 |
| 1919-20 | 101 | 15 | 2 | 84 |
| 1921-22 | 20 | — | 1 | 19 |
| 1923 | 8 | — | — | 8 |
| TOTAL | 484 | 239 | 7 | 238 |

From the *Ministry of Labour Gazette*, 19th September, 1924.

APPENDIX XI

TOPICS SUGGESTED FOR ESSAYS, DISCUSSION AND RESEARCH

CHAPTER I

- (a) The influence of imaginative literature on practical statesmanship.
- (b) What social progress owes to the modern scientific spirit.
- (c) The functions of the State and the limits of State action.
- (d) Shapers of political and social thought in the "nineteen-twenties."
- (e) A comparison of ancient and modern Utopias.

CHAPTER II

- (a) The rise and decline of industries and occupations during the last half-century.
- (b) The occupational census of 1921.
- (c) A review of the chief political, industrial and social problems awaiting solution in 1925.

CHAPTER III

- (a) A statement of the case for and against national ownership of the means of transport and communication.
- (b) The traffic problem in great cities.
- (c) The future of aviation.
- (d) *Laissez-faire* or State control for the newspaper press?
- (e) The possibilities of "wireless."

CHAPTER IV

- (a) Commerce as a civilizing influence.
- (b) "Motion study" in industrial processes and the attitude of the worker towards "scientific management."
- (c) Agriculture as a "key" industry.
- (d) Conditions which favour (1) the expansion of the business unit; (2) the survival of the small business unit.
- (e) The interdependence of nations in the modern world.

CHAPTER V

- (a) The history of the early Free Trade movement.
- (b) Pivotal industries in Great Britain.
- (c) Tariffs : The point of view of (1) the colonial producer of raw materials and foodstuffs ; (2) the home manufacturer ; (3) the industrial worker ; (4) the English farmer ; (5) the London financier ; (6) the average housewife.

CHAPTER VI

- (a) The root causes of industrial fluctuations.
- (b) State protection of the worker's minimum standard of life.
- (c) Advance in social standards (health, housing, education, morality, protection against misfortune, etc.).
- (d) The relation between social changes (marriage rate, pauperism, crime, etc.) and industrial conditions. Compare charts in Appendix V.)
- (e) Consider from as many points of view as possible the net effect on industrial employment in this country of (1) the construction of, say, six new battleships ; (2) a loan to Russia for the purpose of rehabilitating her industries ; (3) the payment of a large amount by Germany on account of reparations ; (4) the raising of the school-leaving age to 15 and the establishment of compulsory day continuation schools ; (5) the utilization of all the output of coal mines for generating electricity in bulk to be distributed cheaply to every town and village ; (6) equal payment for men and women ; (7) a levy on Capital to pay off some or all of the National Debt ; (8) an import tax on manufactured imports.
- (f) The case for and against unemployment benefit (the "dole") in the post-war period.

CHAPTER VII

- (a) The loss to the community involved by strikes and lockouts.
- (b) Some typical co-partnership and profit-sharing schemes ; how they are worked ; their effect on relations between employers and employed.
- (c) The work of the Industrial Commissioners of 1912.
- (d) The organization of a Whitley Council (collect specimen copies of agenda).
- (e) The Shop Steward movement.

CHAPTER VIII

- (a) Industrial welfare schemes. The point of view of (1) the employer, (2) the worker.
- (b) Women's work during the war.
- (c) The economy of (1) high wages ; (2) a short working day. What are the limits to this economy ?
- (d) Stages in the emancipation of childhood.
- (e) "All-In" industrial and social insurance.

CHAPTER IX

- (a) The influence of trade conditions on the development of trade unionism. (See Appendices II, IV and V.)
- (b) Discuss the statement: "The trade unions have prevented more strikes than they have instigated."
- (c) The trend from craft unionism towards industrial unionism.
- (d) The objects of international labour regulation.
- (e) The first fruits of Labour Government in England.
- (f) Trade unionism among women during and since the war.

CHAPTER X

- (a) The Garden City movement.
- (b) The treatment of the criminal.
- (c) Housing schemes since the war.
- (d) A State Medical Service—the case for and against.

CHAPTER XI

- (a) The broadening of the educational curriculum in primary schools.
- (b) The relation between technical education and industrial efficiency.
- (c) The religious controversy in the schools.
- (d) The spread of the university idea.
- (e) The adult educational movement.
- (f) Changing values in education.

CHAPTER XII

- (a) The future of the party system in government.
- (b) Voluntary service as the basis of democratic government.
- (c) Modern conceptions of the State.

(d) Constitutional experiments in Europe during the last ten years.

(e) The reform of the Poor Law.

(f) Group autonomy as the basis of social and political reconstruction.

CHAPTER XIII

(a) Hopes and fulfilment in social reconstruction, 1918-1925.

(b) Village industries.

(c) Coal conservation in Great Britain.

(d) The productivity of labour.

INDEX

- ABYSSINIAN expedition, 47
 Adult education, 230
 Agriculture, 82 foll.
 —, decline of, in England, 85
 —, Royal Commission on (1879-82), 87
 Agricultural depression, 99
 — labourer, admitted to franchise, 235
 — Minimum Wage Act (1917) 271
 — Wages Board, 144
 Allotments, 88
Alton Locke (Kingsley), 161
 American Civil War, 74
 Anderson, James, quoted, 11
 Anthropology, science of, 6
 Apprenticeship, decay of, 46-7
 Arch, Joseph, 235
 Armaments and social reform, 264
 Army estimates, 260
 —, reorganization of, 219 (note)
 Arnold, Matthew, 15, 214
 Askwith, Lord, 144
 Atlantic Shipping Trust, 97
Autobiography (J. S. Mill) quoted, 13 (note), 18, 26

 BACTERIOLOGY, science of, 7
 Bagehot, Walter, 239
 —, —, *English Constitution*, 245
 Baker, Sir Samuel, 73
 Balance of trade, 99
 Baldwin, Stanley, 103
 Balfour, Lord, 219, 256
 Banking, growth of, 78
 Baring crisis, 113
 Bentham, Jeremy, 23

 Beveridge, Sir W. H., 105
 Biology, science of, 6
 Blatchford, Robert, 29
 Board schools, 218
 Boer War, 115, 263
 Booth, Charles, 3, 169
 Borstal system, 207
 Bounty system, 97
 Bridgewater, Earl of, 89
 Bright, John, 19, 24, 153, 233, 259
 Brindley, canal engineer, 89
 Broadhurst, Henry, 178
 Browning, Robert, 17
 Bryce, Viscount, 238
 Budgets—
 Robert Lowe, 258
 W. E. Gladstone, 260
 Lord Goschen, 261
 Sir Wm. Harcourt, 262
 Sir M. Hicks-Beach, 263
 Mr. D. Lloyd George, 264
 Mr. Philip Snowden, 266
 Burns, John, 112, 178
 Burt, Thomas, 177
 Butler, Samuel, 29

 CANALS, 57
 —, acquisition by railways, 58
 —, nationalization of, 59
 — Royal Commission on, 58
 Cannan, Prof., 35
 Capital Levy, 129, 266
 Capitalism, attacked by Wm. Morris, 14
 Carlyle, Thomas, 12, 13, 15, 17
 Carnegie, Andrew, 231
 Casual Labour, 112, 121, 169
 Cave Committee, report of, 146
 Cecil, Lord Hugh, 209
 Chadwick, Edwin, 196

- Chamberlain, Joseph, 101-2-3, 112, 116
 Champion, H. H., 112
 Charity Organization Society, 122
 Chartism, decline of, 24
 Charts—
 Commercial conditions, Industrial conditions, Social conditions, App. V
 Christian socialism, 5, 21, 28, 140
 Churchill, Lord Randolph, 100
 —, Winston quoted, 3
 City and Guilds of London founded (1880), 227
 Civil Service, 243
 — — —, Bradbury Committee, 244
 — — —, open competition, 244-5
 — — —, Playfair Committee (1874), 243
 — — —, Macdonnell's Commission (1912), 244
 — — — Reform, 50
 — — —, Ridley Commission, 243
 Class consciousness, 42
 Coal conservation, 279
 — Mines Act (1912), 144
 Cobden, Richard, 24, 94
 Collective ownership, 182
 Collectivism, 24, 31, 154
 Collins, Jesse, 88
 Colonial Conference (1887), 101
 — — (1897), 101
 — — (1902), 102
 — Empire, 97
 — markets, extension of, 72
 Combination Acts, 163
Coming Race (Lord Lytton), 29
 Commercial combination, 80
 — development in Great Britain, 71
 — risks, 131
 — treaties, 94
 — unit, enlargement of, 75
 Commissions, Royal, App. I
 Common employment, 162
Commonsense of Municipal Trading (G. B. Shaw), 32
 Commune, Paris, 175
 Communism, 175-6
 Communist manifesto (Marx), 29
 Comte, Auguste, 21, 26
 Conciliation Act (1896), 141, 143
 —, Boards of, 141, 148
 Conscription Act (1916), 267
 Conservatism, 154, 186
 —, Lord Hugh Cecil quoted, 209-210
 Conservative Party, 48
 Conspiracy and Protection of Property Act (1875), 167
 Consumers' Co-operation, 21
 Continuation schools, 228-230
 Contracting-out, 162
 Co-operative movement, progress of, 42, 140-1
 Co-partnership, 43, 137, 138
 Corn Laws, 24, 154, 250, 263
 — Production Act (1917), 144, 281
 County Councils, 218
 — — Act (1888), 179, 251
 — —, functions of, 252
 Cowper-Temple clause, 218
 Craftsmanship, decay of, 31
 Credit and banking, 89
 Criminal Law Amendment Act (1871), 166
 — statistics, 206
 Crises, financial, 91-2
Culture and Anarchy (M. Arnold) quoted, 16
 Currency, depreciation, 120
 Customs and Excise, yield of, 258
 Cyclical fluctuations, 106
 DANGEROUS trades, 159
 Darwin, Charles, 6, 226
Das Kapital (Marx), 29, 168
 Death Duties, 263
 Decontrol of industry, 149
 Democracy, the new, 45

- Department of overseas trade, 128
 Depression of trade, Royal Commission on (1886), 87, 100, 217
 Devolution, 241
 Dicey, Professor, 23
 Dickens, Charles, 15
 Direct action, 171
 Disraeli, Benjamin, 24, 48-9, 73, 233
 Dockers' strike, 112, 142
 Dumping, 74, 104
 Dunraven, Lord, 161, 238
- ECONOMIC** laws, 32
 — methods of inquiry, 33
 — progress, 52
 — unit, growth in size of, 34
 Economics, change of emphasis, 33
 —, deductive, 33
 —, inductive, 33
 —, new conceptions, 36
 Economists, classical, 34
 Education, 115, 158, 212
 — Acts (1870), 155, 196, 213 foll.
 — — (1891), 179
 — — (1902), 219
 — — (1918), 227
 — (adult), 230
 — (higher), 216
 —, religious controversy, 217
 —, Treasury grants, 45
 Eight Hours' Day, 44
 Emigration, 40, 124 (note), 165
 Employers' Liability, 23
 — — Act (1880), 161-2, 204
 Employers, National Federation of, 168
 Employers and Workmen's Act, 165
 Employment Exchanges, 125
 Endowed School Acts (1869, 1874), 216
 Engineers, Amalgamated Society of, 164, 167, 170
- Epidemics, sanitation and, 44
Erewhon (Samuel Butler), 29
Essay on Liberty (Mill) quoted, 212-3
Essay on Population (Malthus) quoted, 11, 34
 Eugenics, science of, 6, 129
 Excess Profits Duties, 272
 Export Credit scheme, 128
- FABIAN Society, 15, 31, 181
 Factory Acts, 151-2
 — code (1901), 159
 — industry, 71
 — reform, 23
 — and Workshop Act (1878), 158-9
 Fair Trade, 99, 100
 Faraday, Michael, 6
 Farm Colonies, experiment of, 123, 125
 Farming, backwardness of British, 82-3
 —, depression, 86-7
 Farm labourers, 83
 Fenwick, Charles, 178
 Finance, public, 257
 Food control, 273
 Foreign competition, 73, 100
 — — (agriculture), 85
 Foreign Trade, 171
 Forestry, encouragement of, 282
Fors Clavigera (John Ruskin) quoted, 13
 Franchise, extension of, to women, 18
 Franco-German war, 74, 110
 Freedom of contract, 32, 39
 Free Trade, 72, 74, 94, 154, 259
 — — Union, 102
 French Revolution, influence of, 2, 9
 Friendly Societies, 164
 — — Act, 166
 Fry, Elizabeth, 2, 204
- GARDEN Cities movement, 191
 Gaskell, Mrs., 15

- General strike, 139, 164
 George, Henry, 37
 German Imperialism, 262
 Gladstone, William Ewart, 24,
 25, 27, 48, 111, 179, 180, 233,
 260
 Gold discoveries, influence of,
 109
 Goschen, Lord, 113, 261-2
 Government, art of, 233
 Grammar Schools, 216
 Great War, the, 185
 — —, effect on employ-
 ment, 117
 — —, industrial losses, 120
 Greater London, 242
 Green, Prof. J. R., 122
 —, Thomas Hill, 19 foll., 222
 Group autonomy, 267
 Guild socialists, 139, 269
- HALDANE, Lord, 282
 Harcourt, Sir William, quoted,
 30, 262
 Hardie, Keir, 178, 183
 Health, Ministry of, 198
 Hicks-Beach, Sir Michael, 263
 Highways Act (1835), 52
 — Amendment Act (1878),
 54
 Hill, Octavia, 2, 14, 189
 Hood, Thomas, 161
 House of Lords Committee and
 the sweating system, 161
 — —, reform of, 237
 Housing, Addison scheme, 194
 —, Mond scheme, 195
 —, Wheatley scheme, 195
 — reforms, 14
 — —, Torrens Acts (1868),
 188
 — —, Cross Acts (1875-9),
 188
 — and Town Planning Act
 (1909), 190-3
 — of the Working Classes
 Act (1890), 190
 Howard, Ebenezer, 191
- Howard, John, 2, 204
 Hughes, Thomas, 43, 140
 Humanitarian legislation, 23
 Huxley, Thomas, 6
 Hyndman, H. M., 30, 112
- ILLITERACY, 213
 Imperial Federation League, 98
 — Preference, 100, 102
 Income Tax, 259, 263
 Independent Labour Party, 170,
 176, 180, 181
 Individualism, 18, 21, 154, 215
 Individual freedom, limits of, 27
 Industrial conciliation, 136
 — conflict, 41
 — councils, 143, 148
 — depression, 119
 — disputes, 142
Industrial Revolution in England
 (A. Toynbee) quoted, 11
 Industrial system, attitude of
 poets and novelists to, 17
 — unrest, 132 foll., 150
 — —, Commission of in-
 quiry into, 133
 — welfare, 151
 Industry, large scale, 80
Inequality of Incomes (Dalton)
 quoted, 210
 Infant mortality, 200
 Insurance, 78
 —, National, 81
 Intermediate Education Act
 (1889), 227
 International, the First, 174
 —, the Second, 175
 —, the Third, 176, 269
 — Working Men's Associa-
 tion, 168
 Invention, stages in, 8
 Irish Land Act, new principle
 in, 27
 Iron law of wages, 34
- JEVONS, PROF. W. S., 35
 Joint stock enterprise, 90-1
 — — —, growth of, 115
 Jowett, Dr. Benjamin, 222

- Judicature Acts (1873-5), 209
- Judicial procedure, 208
- Justice*, Organ of Social Democratic Federation (ed. Wm. Morris), 14
- Justices of the Peace, functions of, 54, 248-9
- KARTELL, 75
- Kelvin, Lord, 7
- Key industries, 103, 277
- Kingsley, Charles, 5, 15, 43, 161
- LABOUR dilution, 271
 - Electoral Committee, 178
 - Exchanges, 125
 - , Marxian doctrine of, 29
 - Party, 135
 - — (Parliamentary), 177
 - Representation, 240
 - — Committee, 181, 182, 186
 - — League, 177
 - , Royal Commission on (1891-4), 142
- Laissez-faire*, 10, 12, 19, 22, 24, 62, 95, 153, 163, 190
- Land Ownership, status attaching to, 249
 - reform, 14, 21
 - values, taxation of, 192
- Lassalle, F., 14
- Law and Opinion in England* (Dicey) quoted, 23, 25
- Law of Diminishing Returns, 35
- Lecky, *Democracy and Liberty*, quoted, 246
- Legal decisions—
 - Hornsby v. Close* (1867), 166
 - Cockerton Judgment* (1900), 219
 - Taff Vale Railway v. Amalgamated Society Railway Servants* (1901), 182
 - Osborn v. Amalgamated Society Railway Engineers* (1908), 184
- Letchworth, first Garden City, 191
- Liberalism, 23, 24, 154
- Liberal Party, source of strength, 48
- Liberty* (J. S. Mill), quoted, 10, 18
- Libraries, Public, 231
- Limited liability, 90
- Lister, Lord, 7
- Livingstone, David, 73
- Lloyd George, David, 81, 264
- Local Authorities, expenditure of, 201-2, 250
 - elections, suffrage for, 254
 - Government, 246 foll.
 - — Board, 44, 112, 189, 193, 197-8
 - —, characteristics of, 256
 - —, conflicting jurisdictions, 247
 - —, extension of areas, 242
 - — Reform, need for, 49
 - — State aid, 251
 - —, voluntary principle in, 257
- Lowe, Robert, 257
- Lytton, Lord, 29
- MACDONALD, Alexander, 117
- Machine industry, 31
- Machinery of Government Committee, 282
- Malthus, Rev. James, 11
- "Manchester" School, 16, 24, 95
- Man Versus the State* (H. Spencer), 19
- Manning, Cardinal, 5
- Mansbridge, Dr. Albert, 224
- Marconi, electrical devices, 7
- Marginal utility, the doctrine of, 36
- Marx, Karl, 14, 168, 174
- Marxian socialism, 29, 34
- Master and Servant's Act, 165
- Matchgirls' strike, 112
- Maurice, Frederic Denison, 2, 5, 43
- McKenna duties, 104

- Mechanical transport, 51
 Mechanics' Institutes, 227
 Medicine, preventive aspect of, 7
 Medical inspection, 202
Merrie England (Blatchford), 29
 Middle classes, 4
 — class opinion, 31
 Militant suffrage movement, 235
 Mill, John Stuart, 10, 13, 18,
 26 quoted, 27, 43, 49, 139, 212
 —, *Representative Government*,
 233
 —, *Political Economy*, quoted,
 263
 Miners' Federation, South Wales,
 136
 Minimum wage, 23, 144
 Mining industry, 40
 Ministry of Reconstruction, 275
 fol.
 — —, Transitional Econ-
 omics Branch, 277
 — —, Commerce and Pro-
 duction, 278
 — —, Coal Conservation,
 279
 — —, Labour and Indus-
 trial Organization, 281
 — —, Rural Development,
 281
 — —, Social Development,
 282
 Morris, William, 14, 16 29 31
 Motor transport 55
 Multiple Trading, 77
 Municipal Reform Act (1834),
 246
 Munitions of War Acts (1915-
 17), 144

 NATIONAL income and expen-
 diture, App. VII
 Nationalization, 29, 271
 — of Coal Mines, 186
 National Debt, 266
 — Economy, Committee on,
 195

 National Health Insurance Act
 (1911), 204
 — Minimum, 147
 Neale, Henry Vansittart, 43
 Newcastle Conference, 183
News from Nowhere (Wm. Morris)
 15, 29
 Newsholme, Sir Arthur, 199
 Newspapers, 69
 Nine Hours' Day, 165

 OASTLER, Richard, 23
 Oaths Act, 163
 Occupations of the people, App.
 II
 Occupational census, 39
 Old Age Pensions, 202
Origin of Species (Darwin), 226
 Out-of-work donations, 127
 Owen, Robert, 2, 28, 139, 140,
 153

 PALMERSTON, Lord, 233
 Parish and District Councils
 Act (1894), 254
 Parish, decay of, 253
 Parliament Act (1911), 238
 Parliamentary Reform, Second
 Reform Bill (1867), 48
 Party System, 239
Past and Present (Carlyle) quoted,
 28
 Pasteur, researches of, 7
 Paternal legislation, 211
 Payment by results, 214
 Peabody, George, 2
 — Trust, 189
 Peaceful picketing, 167, 182
 Peel, Sir Robert, fiscal policy,
 23, 48, 151
 Pensions, Old Age, 14
 Place, Francis, 163
 Plural vote (local franchise), 250
Political Economy, Principles of
 (J. S. Mill), 18, 139
Political Obligation, Lectures on
 the Principles of (T. H. Green),
 19

Political Thought from Spencer to To-day (E. Barker) quoted, 16

Polytechnics, 227

Poor Law administration, 255
— — — Commission (1909), 125, 198, 255

Poor Law, 121

Population question, 129

Positivism (Auguste Comte), 21

Post Office, 68, 259

Prevention of Crime Act (1900), 206

Principles of Sociology (H. Spencer), 19

Prison Act (1877), 205

Prison reform, 204

Private philanthropy, 25

Probation of Offenders Act (1907), 207

Producers' co-operation, 140

Productive workshops, 21

Profit-Sharing, 138

Profit-Sharing schemes, App. VI

Progress and Poverty (Henry George), 37

Progress, scientific, 6, 7

—, social, 5

Proletariat, emergence of the, 46

Proportional representation, 237

Prosperity Sharing, 138

Proudhon, 175

Psychical research, 9

Psychology, applied, 268

Public education, 47

— finance, 257

— health, 7, 44

— Health Act (1875), 196

— Libraries Act (1919), 231

— Utility Services, 75

— Works Loan Act (1866 and 1879), 189

RADICAL programme of 1885, 251

Railway Act (1921), 65

— building, 40, 59, 61

— competition, 62-3

Railways, decline in dividends, 61

—, decontrol, 65

—, grouping of, 65

— nationalization, 65-7

— Rates Tribunal, 66

— statistics, 60

— subsidies, 65

Rating reform, 190

Reade, Charles, 15

Rebecca riots, 53

Reform Act (1867), 234

— — — (1884), 235

— — — (1918), 236

— Bill (1867), 165, 233

Relief works, 112

Rent Restriction Acts, 194

Representative Government (Mill), 18

Restraint of trade, 163

Roads, 52

Road Boards, 56

Roads, cost of maintenance, 55

Rosebery, Lord, 237

Royal Commissions—

Factories and Workshops (1876), 155

Organization and Rules of Trade Societies (1867), 166

Trade disputes, 183

Coal conservation, 186

Housing of the poor (1884-90), 189

Poor Law (1909), 198, 255

Depression of trade (1886), 217

Technical instruction (1881), 226, (1889), 227

Rural decline, 38

— depopulation, 39

Ruskin, John, 2, 12, 13, 15, 16, 59, 139, 189

Russell, G. W. E. (*Life of W. E. Gladstone*) quoted, 24

Russell, Lord John, 48, 233, 234

Russo-Japanese war, 117

SANITARY reform, 200-201

Sanitation, 196

- Sanitation, Royal Commission on, 45
- Sankey, Coal Commission, 186
- Scholar Gipsy* (M. Arnold) quoted, 16
- School Boards, 214, 256
- School-leaving age, 214
- Science and invention, 27
- Scientific management, 78-9
- — —, attitude of workers to, 137
- — — research, 230
- Senior, Nassau, 153
- Shaftesbury, Lord, 2, 23, 151, 196
- Shaw, George B., 32
- Shop Acts (1912-13), 160
- Shop steward movement, 269
- Simon, Sir John, 44, 196
- Slavery, abolition of, 23
- Slums, the growth of, 187
- Small Holdings, 88
- Smith, Adam, 11, 91
- Snowden, Philip, Budget Resolutions, 104
- — —, 266
- Social awakening, 96
- — — classes, 45
- — — Democratic Federation, 14, 30, 170
- — — Party, 181
- — — philosophy, 9
- — — reconstruction, 275
- — — sentiment in post-war period, 227
- Socialism, 28, 30, 116, 179, 181
- Socialist movement, 176
- Socialist Movement* (Ramsay Macdonald) quoted, 31
- Social insurance, 115, 203
- — — investigation, 25
- — — investments, 37
- — — progress, 21, 130
- — — reform, 23
- — — and Gladstone, 24
- — — by Fabians, 31
- — —, points of view, 209
- — — revolution, 30
- — — services, cost of, 201, 260
- Social settlements, 32, 223
- Social Statics* (H. Spencer), 19
- Social welfare, 187 foll.
- Society, evolutionary conceptions of, 19
- — —, Utopian reconstructions of, 28
- Sociology, science of, 4, 6
- South African war, 181
- Southey, Robert, 23
- Specialization of labour, 78
- Spencer, Herbert, 6, 19, 226
- Standard of living, 109, 114, 149
- Stanley, Sir Henry N., 73
- State action, 10
- — —, M. Arnold's conception of the, 16
- — —, J. S. Mill's conception of the, 18
- — —, Herbert Spencer's conception of the, 19
- — —, T. H. Green's conception of the, 19
- — —, Auguste Comte's conception of the, 21
- — —, Karl Marx's conception of the, 29
- — —, Wm. Morris's conception of the, 14
- — — control, 62, 81
- — — intervention, 20, 24, 28, 45, 96
- — — ownership in England, 22, 67, 82
- — —, revolt against the, 266
- — — subsidies, 97
- Statistical tables, App. IV
- Statute of Apprentices (Elizabeth), 163
- Strikes, 168, 171-2
- — —, Dockers', 169
- Suburbs, growth of, 191
- Suez Canal, the opening of, 108
- — — shares, 73
- Summary Jurisdiction Act (1879), 207
- Surgery, art of, 7

Sweated industries, 161
Syndicalism, 139, 268

TARIFFS, economic, 29
Tariff Reform, 98, 116
——— League, 102-3
Taxation, basis of, 257
———, direct and indirect, 37 and
 App. IX
———, principles of, 36, 258, 263
———, simplification of, 258
Technical Instruction, Royal
 Commission on (1881), 226,
 (1889), 227
——— training, 115, 225
Telegraph, the, 69, 258
Telephone, the, 69
Tenant right, recognition of,
 23
Ten Hours' Bill, 151, 153
Tennyson, Lord Alfred, 16
Theories of Production and Dis-
tribution (Cannan) quoted, 35
Thyrsis (M. Arnold) quoted,
 15
Tory philanthropy, 23, 30, 49
Toynbee, Arnold, 11, 223
——— Hall, 223
Trade alliances, 77
——— Boards, 161
——— ———, extension of, 144
——— ——— Act (1909), 144
——— Councils, 168
Trade cycles, first, 108-111
——— ———, second, 111-112
——— ———, third, 112-115
——— ———, fourth, 115-116
——— ———, fifth, 116-117
——— ———, sixth, 117-120
——— Disputes Act (1906), 183
——— ———, Royal Commission
 on, 183
——— fluctuations, 105
——— Societies, Royal Com-
 mission on (1867), 166
——— Unionism, 42, 164
——— ———, growth of, 287
——— Unions, 24, 30, 47, 109

Trade Union Act (1871), 166
——— ——— ——— (1913), 185
——— ——— Congress, 168, 170,
 177-8
——— ———, legal recognition, 167
——— ——— membership, 171
Traffic Board, 57
Training colleges, 215
Tramways Act, 76
Treatise on Education (Spencer),
 226
Triple Alliance, 186
Truck Acts, 23
Trust movement, 75-6
Turnpike Trusts, 52 foll.
Tyndall, John, 7

UNEMPLOYMENT, extent of, 14,
 110, 116
Unemployment (Beveridge),
 quoted, 105
——— Insurance, 23, 127
———, treatment of, 120
Unionism, old and new, 168,
 178-9
Universities, 220 foll.
University Extension movement,
 222
——— settlements, 5
Unto this Last (J. Ruskin),
 14
Utilitarianism, 18, 21
Utopian romance, 5, 29

VETO, House of Lords Resolu-
 tions, 238
Victorian novelists, 15
Village economy, 74
Vital statistics, 199

WAGE system, 272
Wages Boards, 66
——— fund theory, 34, 35
——— fund, 164
———, iron law of, 165
Wallace, Alfred Russel, 6
Walpole, Sir Robert, 68

- Wealth of Nations* (Adam Smith) | "Wireless," development of,
 quoted, 11, 91 69
Welfare, human, 13 Wordsworth, William, 15
 — work, 137 Workers Educational Associa-
Wells, H. G., 29 tion, 224
Wheat, foreign imports, 86 Working Men's College, 21
Whitley Councils, 135, 147-9 Workmen's Compensation Act
 — Report (second), 144 (1897), 161-2, 204
Widows' pensions, 202 Workshops' Regulation Act
Wilberforce, William, 2 (1867), 153

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